Nationwide saga: take-off bid before the court

ANOTHER chapter in the saga of attempts by Nationwide Air to secure its inter-island car ferry operation unfolds today—this time in the Supreme Court.

Nationwide Air Akarana and Air North are seeking a court review of an Air Services Licensing Authority decision almost two years ago.

That decision disallowed the then Akarana Air and Air North to substitute aircraft on their air services licenses, and it began the long series of difficulties for the various companies grouped around controversial transport entrepreneur Matt Thompson.

The Supreme Court case is almost the last legal recourse that Nationwide's endeavours have open.

And the day that the file on Nationwide is closed will bring sighs of relief in the transport sector—and not just to those in official quarters.

Air North and Akarana Air were struggling third-level airlines operating in the central North Island.

They were largely bought out by the Haulaways Corporation, which wanted to use them as a means of running a complete inter-island car ferry system.

The name was changed to Nationwide Air, which was to ferry cars on behalf of another component of the Haulaways Corporation, the then Car Haulaways Ltd, now known as Nationwide Transport Autos, which is in receivership.

Two Carvair aircraft suitable for a car ferry operation were imported and put on the two companies licenses in place of two small passenger aircraft.

The fun started when the Air Services Licensing Authority declined to register the substitutions.

Under the authority's standard conditions — its standing orders and regulations — substitution of aircraft of comparable seating capacity could be made without a public hearing and objections procedure.

Nationwide claims that, because the Carvair seated roughly the same as the aircraft for which they were substituted, the process was legal.

But the authority, midway through this process, changed its standard conditions so that a substitution could be made only if the freight capacity of the aircraft involved was also comparable.

Nationwide alleges this change was prompted by a desire to frustrate its efforts and by malice on the part of the authority, and that the authority was acting outside its powers, and without just cause.

Today's Supreme Court action is for a review of that decision, made more than 18 months ago.

Nationwide appealed also to the Air Services Licensing Appeal Authority. That case is still to be heard.

Nationwide Air, the new holding company for the air operation, began operating with its Carvairs after another complex series of legal manoeuvres and financial manipulations involving Arab money, and a dispute over ownership of the aircraft. Air North went into receivership in December 1978 and in March this year the authority took away from Air North its right to operate its former routes, giving them instead to the Mount Cook Group.

Nationwide Air Akarana also went into receivership and is now in liquidation.

The affair was made more complex with the various components of the Haulaways Corporation also having receivers appointed. And from that emerged a new entity-Nationwide Air International.

This company flew the same Carvair aircraft for four months from late December 1978 to April 1979 before it too went into receivership.

Debts disclosed to an authority hearing earlier this month amount to nearly $250,000.

Nationwide Air International is the holding company for the new operation and was the applicant for the air services licence heard by the authority in October.

But the authority was told the actual operator was a wholly owned subsidiary of that company, Nationwide Freights 1979 Ltd.

Counsel and Nationwide Air International Director John Rutherford told the authority the service run earlier this year was on Akarana licenses.

Just how they came to belong to the new company was not disclosed nor could the authority find evidence in the accounts presented of assets and liabilities of the Akarana operation—now in liquidation.

Two attempts have been made this year to secure an air services licence for the car ferry operation. The first, made in an effort to clarify the legal position of the licenses, foundered when the authority declined to hear the full application on the grounds that the company had no fuel supply and under the Government's fuel conservation policy was not entitled to an allocation.

The second, heard earlier this month, went ahead on the basis that the company would show it had its own fuel supply.

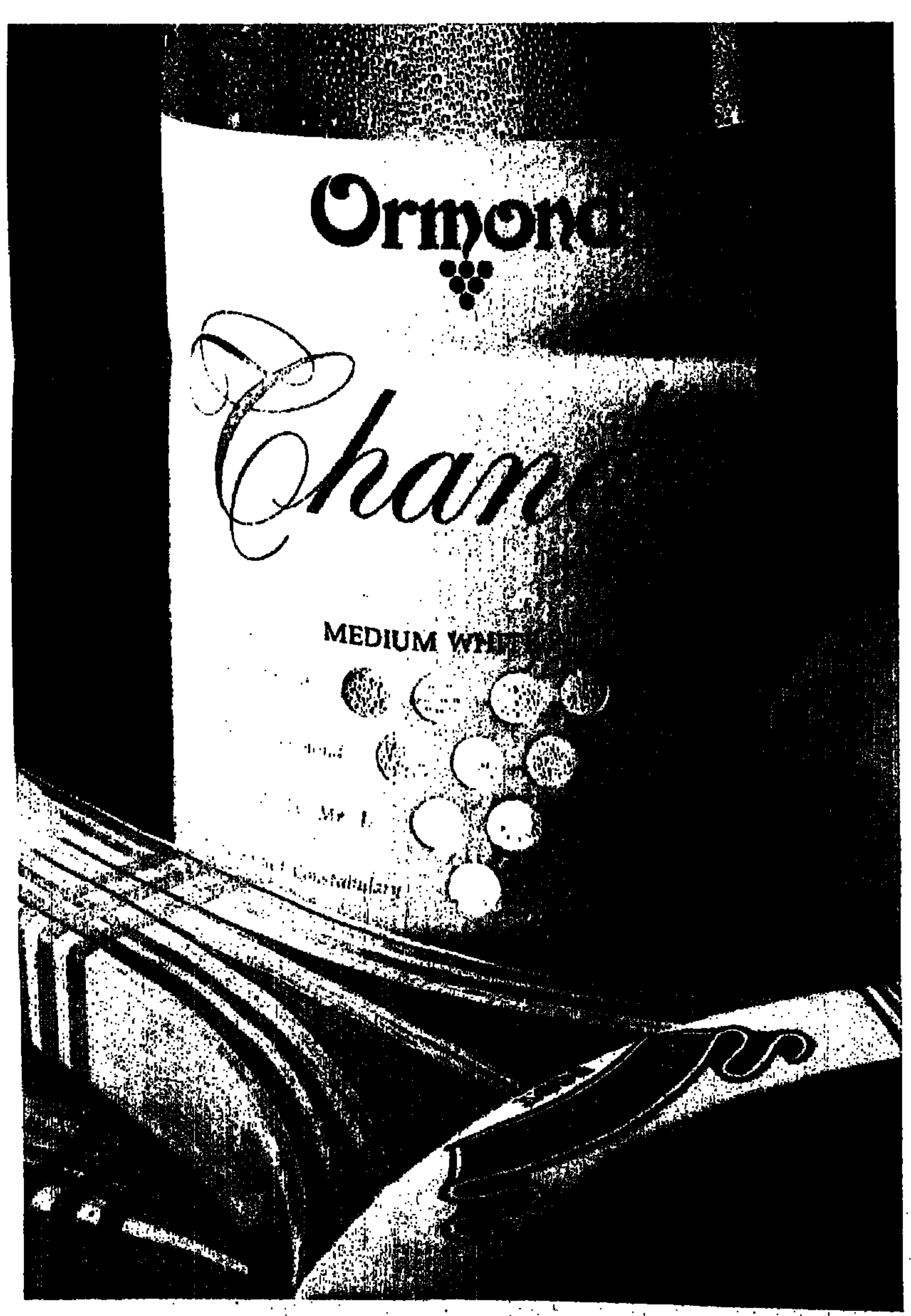
After the company presented its case, Air New Zealand successfully moved for the application to be dismissed.

The authority held to an earlier view that "the present government policy (on fuel supplies) prevents the granting of new air service licenses for the carriage of freight".

It added: "We do not accept that it is in the public interest that a company, which ... very substantial sums ... money in four months and is now insolvent with ... substantial current liabilities which it is unable to meet should be assisted by the authority to again commence trading without having first put its affairs into a satisfactory financial position."

Part of the argument ... that concerned the assets—including the licence and fuel rebates—belonging to Akarana Air, which Thompson and Rutherford claimed were part of the new Nationwide Air International.

This goes to the heart of the argument about who owns which licenses and which various liabilities and assets should be distributed among parts of the Haulaways Corporation and its related companies.



National Business Review

60cents

Volume 9, No 42 (Issue 359) November 5, 1979

Faltering fortunes chip away Tasman's blue ribbon status

TASMAN Pulp and Paper, regarded by many as a blue-ribbon share, is in for more rough times.

Industrial troubles, liquidity crises, and major managerial and financial reconstruction are all in the past, and many investors will be looking to the company for long term growth.

But big increases in the price of the company's raw material are inevitable, and Maori land problems will complicate Tasman's future.

The Forest Service signed a 25-year contract in 1955 with the right of renewal for a further 50 years to supply Tasman with standing trees at $0.88 a cubic metre. Subsequent sales have lifted this price to an average $1.06 a cubic metre.

The effect of the new price for wood could make Tasman's *recent troubles* look of minor importance.

The original contract included no allowance for inflation — $1.06 a cubic metre in 1955 values is still being paid as $1.06 in 1979.

Because of inflation, the current price is less than 30 per cent of that originally received in 1955.

The price Tasman pays for standing timber today is only about 1.3 per cent of its sales revenue.

The Government's policy of making trading departments, such as the Forest Service, at least cover their costs must be causing jitters in the Tasman boardroom.

Because of the period between planting and felling in forestry, the interest rate is critical.

Even at a modest 10 percent, a 1977 King Country study showed a break-even cost of growing radiata pine of about $15 per cubic metre.

With an annual consumption of 1.8 million cubic metres, Tasman faces a wood purchase price increase of more than $25 million per year.

The Forest Service no doubt will be taking a hard line in negotiations, as it can expect trouble with all other sales if the principle of covering costs is not met.

Negotiations are still taking place, and the Forest Services has declined to comment.

The Tasman sale is by far the largest the Forest Service has and includes further sales in excess of $60 million.

These, in effect, will set a precedent for future sales arising from the planting boom of the late 1960s.

The basis for this forest investment was a series of financial reports showing forestry to give a return on capital of 10-12 percent.

The Forest Service has had no hesitation in using these figures to impress Treasury officials, and in arguments against agriculturally oriented local governments wishing to make forestry a conditional land use.

Other forest growers, such as farm foresters, will be watching the outcome of the negotiations with close interest.

A large sale which recognises true costs would have a stimulating effect on forest investment throughout the country.

Sawmillers will also be awaiting the outcome.

Although only about 20 per cent of round wood purchased by Tasman is sawn, 80 per cent of this sawn timber is sold within New Zealand.

Smaller sawmillers who have been paying far more for their logs but must compete with Tasman on the local market, obviously will be expecting similar subsidies if Tasman obtains its sawlogs at less than the cost of growing them.

Unlike the present sale, the new agreement no doubt will differentiate between pulp logs and sawlogs.

To maintain the overall price of $15 a cubic metre, for each $1 a cubic metre that pulpwood is priced below this level, sawlogs will have to be

Continued on Page 15

Paper lags behind publishers' demands

by Belinda Gillespie

NEWSPAPER publishers face a serious newsprint supply situation.

All newspapers hold contracts with Tasman Pulp and Paper for newsprint and the company is currently up to 10 weeks behind with deliveries to North Island publishers.

There have been accusations within the industry that Tasman is giving higher priority to its export commitments than to local supplies.

The Newspaper Publishers Association says that it "recognises the advantages of Tasman's export potential", but stresses that guaranteed sales to New Zealand publishers were the basis oif the company getting off the ground in the first place.

Despite the export drive, the local market — especially as a large employer — shouldn't be disadvantaged because of export commitments, the association said.

Not all Tasman's export business is on a contract basis, the association points out. A relatively small adjustment to the company's export supply policy would bring New Zealand publishers up to date.

A single cut-back to Tasman's non-contract customers, according to the association, would be enough for Tasman to catch up with its orders.

Shortages have been chronic for some time, reaching a peak after the industrial stoppages at Kawerau last year, when local publishers had to import 7000 tonnes of high-priced newsprint. The shortages have been the subject of continual representations from newspaper publishers to Tasman.

Tasman spokesman Gary Mace denied that overseas customers got higher priority. While admitting supply difficulties, he said that these were spread "equitably" around all customers.

All Tasman's overseas sales are on contract, said Mace. While some manufacturers on the world market supplied paper on a "spot tonnage" basis, allowing themselves greater flexibility, this is not the case with Tasman.

Mace doubted the whether the NPA's claim of a 10 week lag in deliveries was correct. But he said that Tasman had "long since explained" to publishers that the company expected to be up to seven weeks behind in deliveries.

This was still partly as a result of last year's strike and partly due to further industrial trouble earlier this year.

With the mill operating on a 24 hour a day basis, Mace said a "hiccup" in production was virtually irrecoverable, and he could see no prospect of making up the lag now or in the forseeable future.

Although dismissing the suggestion that the company could improve the situation for local publishers by making a single cut to non-contract export buyers, Mace admitted that there were instances where Tasman could approach publishers to get them to negotiate another source of supply.

The company is, in fact, withdrawing from two small export markets next year, which could alleviate the local situation.

"The shortage is an international one," Mace said, "it would be nice to ask the Australians to buy from Canada for a while, but the supply just isn't there."

While appreciating the publishers' problems, Mace said, Tasman had given them plenty of warning of the expected permanence of the problem of being seven weeks behind.

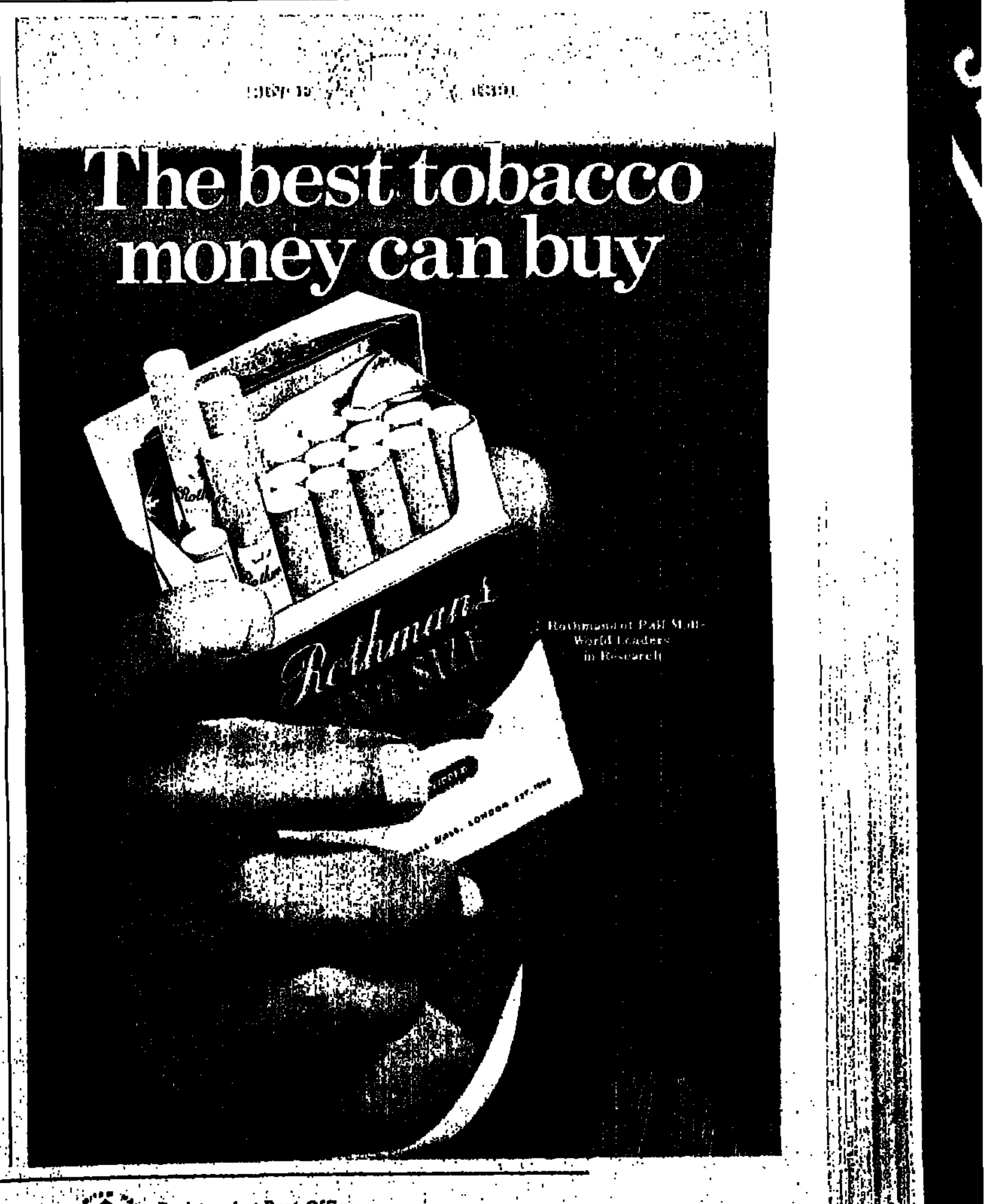
He said the figure is a national average. South Island publishers are generally kept more up to date because of their greater vulnerability to transport disruptions.

Although there is "no quick way out" of the problem, Tasman has been trying to buy newsprint overseas on behalf of publishers, he said. But so far all attempts to negotiate sales — up to one as recent as October 31 with the japanese — had failed.

Another bone of contentioin between Tasman and the NPA is the price of newsprint. The company's annual report described the "inequity of the pricing clause in the newsprint supply contract entered into in 1968" with the NPA.

While the publishers point out that they voluntarily broke the contract several years back, and now pay well above the negotiated price, Tasman claims that the New Zealand price still doesn't reflect what newsprint fetches internationally.

The last increase of $25 per tonne was negotiated in July, and further increases are in the pipeline. But the continuing small increases don't lessen the gap, according to Mace, and the problem will be a continuing one until the contract is renegotiated in 1983.



New Zealand's national weekly of business & affairs

Registered at Post Office Headquarters as a newspaper

Incorporating Admark

Gair: turning a political pose into practice

by Colin James

JOURNALISTS take a sceptical view of public relations operators. PR people have a slick way of sliding round uncomfortable truths. •

It is therefore not surprising that a PR man who turns politician tends to get thought a lightweight.

So it was with George Gair. I was not alone in once doubting that there was substance behind the Gair charm.

I have changed my mind. I think there is substance: courage; and a gritty and intelligent administrative style.

When the abortion debate raged, Gair was the leading "liberal" MP, defying both the personal and prime ministerial power of his leader and the feared vote-pulling power of SPUC that was undermining the confidence of other MPs.

That politically uncomfortable stand showed an inner strength which the Prime Minister, who can be a shrewd judge of character, appears to have recognised in consigning him to the graveyard portfolios of health and social welfare.

Many thought at the time that the Prime Minister was sidelining a potential rival. But this does not entirely fit the facts.

Three years earlier he had picked Gair to head the Cabinet expenditure cuts committee.

Eighteen months later he put him into energy, where things had gone sour. Gair improved relations with the oil explorers, got some sort of long-range planning and debate going, made the critical decision to use Maui gas for liquid fuels and did the groundwork on administrative restructuring which made it easier for his successors to take the exciting decisions this year.

Having done the worst of the clean-up job at energy, he was a logical choice to tackle what the party considers to be the Aegean stables of health and social welfare, the big spenders.

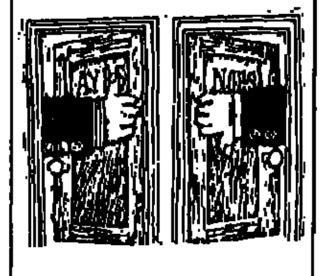
At the same time the Prime Minister — who holds, I think genuinely, a brief for the underdog — would have been well aware of Gair's involvement in the ante-natal stages of both accident compensation and national superannuation. Thus some balance.

There was once an adage that ministers of whatever political colour made their reputations in spending portfolios by defending their departments' budgets and grabbing more — as present-day cutter Margaret Thatcher did in education in Edward Heath's Cabinet.

Times have changed. The economy can no longer support social spending rising faster than the gross national product. And the old choruses from the party and others against layabouts on welfare and the burden of the state on the ordinary citizen have become louder and more insistent.

The accent is on cutting, not expanding. Thus, to some extent, a would-be cutter's job has been made easier than it might have been.

But health and social services are emotive areas. Interference inevitably entails public abuse, tear-jerking television scenes and accusations of heartlessness.



POLITICS

This may explain why between 1975 and 1978, when other spending was being squeezed, these fields largely escaped the axe. Health increased its share of the GNP and national superannuation came in.

Gair's job has been to reverse this.

In health he has cut 1 per cent off the top of hospital board spending, thus reducing the rate of increase and forcing some painful decisions on boards.

He has made a start on trimming the runaway pharmaceutical bill by making low-power tranquillisers harder to get and persuading those involved in prescribing, making, distributing and dispensing drugs to look at ways of cutting the total cost.

The picture in benefit spending is less clear.

Gair has cut $114 million off National's sacred cow, national superannuation, "restructured" additional benefits at a cost to beneficiaries of $9 million out of $27 million, reduced time limits on benefits to travellers overseas ($10 million savings) and taxed unemployment benefits.

On the other hand he has doubled the family benefit, increased other child benefits and raised married women's unemployment benefits to the full rate.

The increases roughly offset the cuts, the biggest redistribution being from old people to families with young children.

But the family benefit rise is probably more accurately regarded as a tax measure than a benefit change, tying in with the Prime Minister's professed determination to help the one-income, low-income family.

Viewed in that light, Gair's part in the rearrangement of benefit spending might be considered to have been a cutting exercise — and painful at that.

It is probably fair to say that Gair is making a start on turning social welfare spending trends round.

I am not concerned here with the rightness or wrongness of Gair's moves.

The point is that the Government — and the National Party — has long said it believes in holding down state spending while actually presiding over increases.

Gair has turned a political pose into administrative practice.

He has been helped by his PR ability.

On television explaining his actions, he does not come across as an unfeeling ogre (which he is not) but as a reasonable man working out priorities.

It seems to be working on the hospital boards, too. He delightedly cites one board member who says the administrators now argue priorities with the medical experts who once went unchallenged — in other words, entrenched attitudes and patterns are being dented.

He has approached the task with intelligence, rationalising rather than simply axing — though observers question whether he is yet weighing adequately the merits of new programmes against old.

He has also set the moves against a politico-philosophical base: the encouragement of self-reliance.

He quotes Abraham Lincoln: "You cannot help men permanently by doing for them what they could and should do for themselves." Gair adds that if the state does too much it may make people totally dependent on the state.

To a people brought up on 40 years of the welfare state, what Gair wants requires a fundamental change in an attitude which even among businessmen and farmers has often instinctively leaned more toward state support or protection than self-reliance.

Gair says he is trying to change attitudes. But doing so is a long business.

Thus, if some of the focus of support for non-copers is to be shifted from the state, it will imply greater responsibilities among the able-bodied in the meantime.

For example, if companies are going eventually to save tax money through a reduction of Government social spending — or, as Gair puts it, finding a balance between doing too much and doing too little — they will by implication have a corresponding obligation to support (perhaps more efficient) voluntary programmes, particularly preventive programmes that help stop potential non-copers or non-conformers becoming a charge on the state.

Take as an example the YMCAs. They are developing programmes designed to help young people having trouble fitting into the community — an essentially social welfare function even if the organisations' Government money has hitherto largely come through the Internal Affairs Department.

The principle behind these programmes is simple: it costs more to keep these people in borstal or prison than to integrate them before they go off the rails.

The illustration the YMCAs themselves use is the Rydum programme, which attracted favourable comment from Justice Minister Jim McLay a couple of months ago.

Rydum — it stands for Redirection Youth Development Using Minibikes — uses mini-motorbikes (a fun thing) to encourage problem children of ages 11 to 15 to develop self-respect, social skills and community participation and overcome barriers to authority figures.

According to a Massey University monitoring study last year of the pilot programmes Rydum has a significant improving effect on their social attitudes.

If the equation works, Rydum has probably already saved the country some future incarceration costs. But uncertainty over future Government funding has put long-term expansion of the programme in doubt. Businesses are therefore being asked to back it.

The alternative to programmes like Rydum — telling kids to pull themselves together — will not work in a society that has got used to the state being expected to do the pulling together.

We might therefore postulate another question: more self-reliance by the various components of society in the sense of themselves (instead of the state) taking responsibility for luckless individuals equals (eventually) a society of individuals better able to look after themselves.

As National backbencher Geoff Thompson says elsewhere in this issue in a different context (Page 11) freedom from state interference brings responsibilities.

RYDUM: reminder of responsibilities

• Having been a PR of sorts myself for a while — though, of course, in the very best of causes — I speak with authority on both sides of the fence.

Top contest: breweries put lid on sliding sales

by Rae Mazengarb

THE breweries have launched a marketing assault on the beer drinker with three bottle-can top competitions running concurrently.

There was a decline in beer consumption of 3.2 per cent last year and each company seems determined to hold fast to its share of the market.

The "spell Lion" contest held the Lion Breweries decline to 2.7 per cent, "bettering the average", according to the latest annual report.

The report blamed the decline on the "prevailing financial stringency" and emigration.

Dominion Breweries admitted the overall consumption of beer had declined, but "our own sales figures were proportionately better than the national trends. This means of course, that we achieved a greater share of the national market and emphasises the continuing public preference for Dominion Breweries products".

Competitions are obviously perceived by both breweries as the means of ensuring that each somehow continues to perform better than average.

Lion and DB are promoting similar competitions in their efforts to increase their respective bottled beer sales against the trend of a continuing national decrease in beer consumption.

Lion Breweries "spell Lion" beer bottle top contest launched last year was successful enough to whet the appetites of the company's marketing division.

The latest promotion offers some 8000 prizes – including a major jackpot draw for a trip to Paris for two plus $3000 spending money – and will cost the company $180,000.

The word to be spelt in the "DB Jubilee Celebration Game" is "tops".

DB had planned to launch a campaign last year but general manager Warren Williams said "it didn't get past the look-in stages".

Lion now prides itself on being the originator of the idea and to have another company follow its lead is "the sincerest form of flattery", said its marketing manager, John Burge.

This made something of a mockery of DB's claim that its business remained unaffected by Lion's promotion last year, he claimed.

But DB doesn't think its competition is like Lion's.

According to Williams, the idea is not novel – it's been tried successfully for years, and he cites as an example, a promotion run by Ballins in 1959.

Putting the letters on the bottle tops was the most practical way to set up this type of competition he said. "If you put an object inside the bottle, it might be swallowed."

Asked about the effects on sales of Lion's competition last year, Williams said the promotion merely put a stop to the "continuing swing to our products".

The two breweries have always been competitive, forever chasing increased sales.

But while the per capita consumption of beer declines, increased sales depends on gaining a greater share of the market.

Not wanting to be left behind in the beer stakes, Leopard has leapt on to the beer top wagon.

Last week it launched its canned version of tops called "rip-off leopard".

It's a bit like a game of housie, based on numbered tear tops, and to a lesser extent, numbered bottletops.

The entry form is like a housie card, with just three missing numbers.

Successful entries win a $20 "happy Hamper" and qualify for a monthly draw of a trip to Fiji for two.

At the end of March, entries go once more into the hat to compete for the glamour prize – a choice of a range of European tours, education allowances, a car of choice and so on, to the value of $15,000.

Leopard general manager Palmer said his company was aware of Lion's successful competition last year – ("It had a marginal effort on our sales) – but feared the major companies would run similar promotions for their canned products.

This was leopard's major share of activity.

palmer declined to say how much the scheme was costing the company, other than its "costing plenty", especially in terms of advertising.

Lawyers query beer top competition

by Rae Mazengarb

THE legality of bottle-top competitions to encourage beer sales has been questioned by some lawyers.

The promotions are covered by the Trading Coupons Act 1931. But because the relevant provisions are confusing, this legislation has been earmarked for repeal and incorporation in an amended form into the Commerce Act.

The Commerce Amendment No 2 Bill was to have been the legislative vehicle for this. But last week the law drafters were said to be disquietened over the wording of the new provisions which was still very similar to the 1931 legislation.

The amendment bill is still with the select committee and the old legislation therefore, remains law.

Basically it is an offence to operate a trading coupon scheme which does not comply with the Act.

Where an offence is disclosed a prosecution may be initiated on the consent of the Minister of Trade and Industry.

But an official said last week it was departmental policy to warn the offender before initiating a prosecution.

The Act has been interpreted in many different ways by the courts.

Department [illegible] Hill said last week he had seven different legal opinions on the provisions: the legality or otherwise of bottle-top promotions was a complicated area, he said.

The Act says trading coupons can only be redeemed unconditionally and for money. That is why Lion's entry form says bottle tops (which are the "trading coupons") are redeemable and one cent will be paid for every ten tops received.

One legal authority says it is arguable that the tops are in fact redeemed for non-cash prizes, and hence the competition does not comply with the Act.

"They create a legal fiction in order to comply", he said.

Dominion Breweries have not done that, as DB does not intend to give money for the tops. But a company spokesman said DB and its lawyers were satisfied the promotion is legal.

Arguably no benefit is received by a person who merely becomes eligible for a prize and the tops do not then come within the "trading coupons" definition.

The new bill will not require the coupons to be redeemed in a certain way, but all these promotions will be examinable by the Examiner of Commercial Practices.

The examiner becomes involved either after a complaint is made to him or on his own initiative.

Then it comes down to a question of trade practices and whether they are contrary to the public interest.

The examiner, as in all cases where trade practices are brought into question, looks at the effects of the practice: whether it has the effect of increasing costs of the products, prices to the consumer, leads to higher profits, prevents competition and limits supply of the products to the consumer.

EDITORIAL

THE revolution in Iran had harsh repercussions for New Zealand motorists because that country provided nearly 40 per cent of our crude oil and naptha requirements and 18 per cent of our petrol. When Iran resumed oil production, it chose to sell outside the formal contract structure and New Zealand chose not to pay the premiums demanded on the spot market. The result has been a year in which increasing Government pressure has been placed on the public in an endeavour to reduce oil consumption by 10 per cent.

First, there were weekend petrol-selling restraints, then strict diesel rationing, and carless days.

At that time, there was the threat of even tougher measures: the Energy Ministry was working out options for petrol rationing.

But the Government has decided we can celebrate Christmas by burning more petrol as well as incence. From December 21 to January 21, the carless scheme will be suspended and the weekend petrol ban partially relaxed, apparently indefinitely.

The Motor Trade Association – which represents 4000 petrol stations – is delighted. So, too, is the accommodation industry.

The bad news is that another price is expected before Christmas, pushing up the cost of a litre of super from 39.5 cents to as much as 45c, according to some reports.

But price is something over which we have little control. Before 1973, the cost of oil imports was covered by some 5 per cent of our total exports. Oil imports will cost $800 million this year – oir 20 per cent of our export earnings.

The implications for our balance of payments situation, even more than the supply problem, is the reason for consumption constraints.

Carless days had been mooted by Energy Minister Bill Birch early in the year, which allowed him and his advisers several months to make appropriate administrative arrangements for introducing the scheme on July 1. But the distribution of stickers and the handling of exemption applications was a bureaucratic fiasco and motorists were given till July 30 to display carless day stickers because extra time was needed to process exemptions and to print extra stickers for the most popular days.

When the scheme was announced, energy officials had little idea how much petrol carless days would save (although they agreed it would not be much).

The success of the scheme depended heavily on motorists' honesty and integrity. But some car-owners are cheating

Public ignorance is widespread, and many motorists remain uncertain about what to do in an emergency on their carless days.

And the scheme is riddled with anomalies which extend to the good grace granted Christmas holidaymakers. Those who take holidays at other times of the year – many of them working in essential industries and services – are disadvantaged.

The savings achieved are not clear. Birch announced in September that petrol savings were running at 7.3 per cent as a result of carless days and weekend sales bans.

National Roads Board figures showed we used 2.7 per cent less petrol between April 1 and August 24 than in the corresponding period the previous year. Ministry of Energy figures based on petrol drawn from port installations showed the average saving so far this year to be *2.8 per cent, compared with 1978 consumption.*

We have been told of shortage problems although petrol stocks in storage look like remaining stable at about 28 days' supply, so enabling the holiday relaxation. But the International Energy Agency estimated that stocks of oil and oil production were at an all-time record by October 1.

To succeed, the Government's conservation measures must evoke widespread co-operation. But if people are not making a concerted effort to cut back fuel usage, then clearly that's because of the ineptitude with which the Government introduced the carless days scheme, and because of overt iniquities in its administration.

Bob Edlin

WITHOUT WORD OF A LIE

BANKCARD, already issued to more than 150,000 customers, is expected to provide pretty stiff competition for Visa.

Also available to non-bank customers, Bankcard has stepped into the plastic card market with lower commission rates, offers credit cash and cheque-cashing facilities, but does not charge a membership or annual fee.

But some customers who have received their cards are a bit baffled about the credit limits they have been allocated.

Bankcard officials say these limits range from around $500 to $1500.

X and wife share a joint account, but the husband received a credit limit of $750; and the wife $500.

Y and his wife found the reverse situation: the wife got $750 and her spouse $500.

X queries the enclosed form for customers to fill out and return to get credit limits lifted. The customer must sign an authorisation for the bank to investigate his/her creditworthiness.

A reasonable request, perhaps — but surely the banks have done just such an exercise to ascertain the original credit limits. Or was that a random selection?

A Bankcard official said the limits are established according to normal "banking policies", time spent with the bank, account history and so on. Anyone dissatisfied with his/her limit should simply request the amount to be raised.

•

WITH an estimated 1.2 million plastic credit cards in circulation, the days of the cheque as a useful medium of exchange look like being numbered.

An ominous change in attitudes toward the cheque is already evident. A member of our staff took a contact to lunch the other day — his treat, of course.

But when it came to paying the bill and the cheque book was produced, a horrified restaurateur insisted on a credit card.

None could be proffered and our embarrassed colleague stood back while his obliging guest settled the bill.

•

SAD to say, we lost a subscriber during the week because we have been espousing the views of the "the trendy left".

We should be supporting free enterprise — "a philosophy which is in a very parlous state in New Zealand," according to our former subscriber's signing off letter.

"Your continued knocking of the National Government ... can only hasten the demise of free enterprise and with it your own journal," he argued.

"Self-interest alone therefore requires a radical shift in editorial policy."

Well, we're a bit bothered about being thought to be anything but in favour of enterprise. With some qualifications, we can put on the record our endorsement of the "free" bit, too.

We certainly don't approve of the way the state sector has been growing, and so we prefer private enterprise, what's more.

Indeed, it is our belief in these principles that drives us to grizzle about some of the National Government's antics over the last four years.

We do acknowledge, of course, that the National Party professes to endorse free enterprise. And we are pleased to note that Trade and Industry Minister Lance Adams-Schneider has put on record a denial that the two Commerce Amendment Bills he has been handling are not compatible with the Government's avowed principles.

He said the first bill spelled out in detail the measures of price restraint that might be imposed under the Commerce Act 1975.

"Price restraint has been provided in the act from the outset, but no one knew what it was," said the Minister.

"Now the measures that may be imposed are clearly set out."

The bill gave the Government the power to impose price restraint measures on individual traders or groups of traders, he said.

Thus in good free-enterprise style, the measures "will enable the Government to restrain traders or industries from passing on in prices excessive costs resulting from soft wage agreements that would be harmful to the public interest."

The Commerce Amendment No. 2 Bill was before a select committee and was open to critics to provide evidence of the type of problems that might be experienced.

So there. All is well in the world of laissez-faire.

And that would have come as a pleasant surprise to the Chambers of Commerce, which had condemned the bills.

Chamber president David Fine had been under some misapprehension — along with NBR — that the combined effect of the two bills gave discretionary power to a Minister and a Government which was virtually unrestrainable by the courts or outside agencies. "The powers could be used to achieve political or economic ends far removed from the normal ambit of price restraint," Fine said.

Our only point of wonderment now is whether our former subscriber is a member of the Chambers of Commerce — and if so, at what point his faith in the National Government will become so incompatible with the free-enterprising chamber's attacks against legislation of this type that he is obliged to resign.

•

WHEN it comes to testimonials, sometimes Continental Airlines does it better.

According to the young Kirk, Air New Zealand is spending some $200,000 for its plugs from that perennial commercial virgin, Alan Whicker.

And while the national carrier mends its wicker basket in Parliament, Continental got a free plug from British Royalty.

Continental's regional directors received a circular from its Los Angeles head office saying Princess Alexandra and the British Consulate in LA wanted to extend their personal thanks to Continental for the fine service on flight 2 from South Pacific to California.

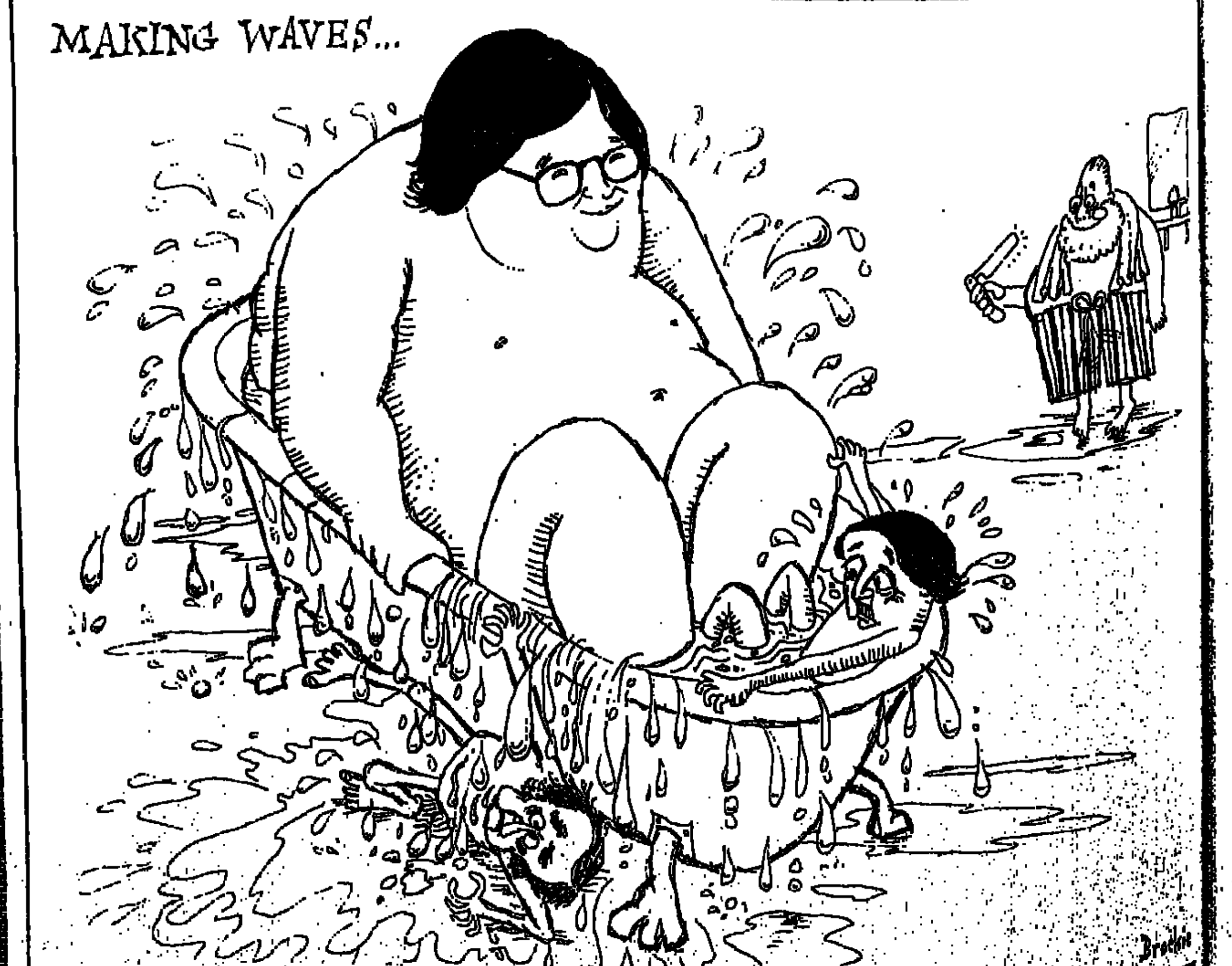
The circular quoted the Princess saying: "The service on Continental was far superior to that of Air New Zealand".

The circular went on "memo to all staff Sometimes we do it better."

And cheaper the circular might have added.

The commercial virginity of British Royalty is hardly likely to come under question.

BROCKIE'S VIEW



Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, John Draper.
Advertising Manager: Paul A G S Loh, (P.O. Box 9344, Telephones 736-876, 859-019, Wellington.)
Auckland office: Editorial — Warren Berryman, Telephone 799-304; advertising and distribution — Telephone 685-995.
Published by Fourth Estate Newspapers Ltd, 15 Blair Street Wellington. Printed by R Lucas & Son (Nelson Mail) Ltd, 8 Bridge St, Nelson.

A committee of inquiry into the meat industry particularly the Meat Producers Board is to be ordered by Agriculture Minister Duncan MacIntyre.

The committee will be established after a year of turmoil in the industry.

First there was the question of delicencing in the freezing industry.

Then Waitaki NZR sailed directly into the path of the board's shipping policy.

And the board's finances have been under strain as promotional activities are stepped up to clear a backlog of lamb on the British market.

The drain is prompting the board to seek authority to extend the levy on meat exports to the domestic kill, the Government has told the board to consider increasing the export levy paid by farmers.

Federated Farmers' pressure for the committee has been strong for some time.

The federation scored an early success by getting its version of the Meat Industry Amendment Act to the law drafters before amendments could be proposed.

The federation is critical also of the board's handling of the dispute with Waitaki NZR, when the company wanted to ship meat at the cheaper freight rates offered by the non-conference Belgian ABC lines.

Meat Board chairman Charles Hilgendorf agreed there was a need for the committee at one of his monthly informal meetings with Agriculture Minister Duncan MacIntyre.

In his address to Federated Farmers annual conference, MacIntyre mentioned that it may be time to kick around a few sacred cows.

Particularly he mentioned shipping rate negotiations and the killing of ram lambs.

Hilgendorf says the investigations will be in the interests of the meat industry.

"There are some things the board thinks would be well aired," he said.

"All boards and all institutions should occasionally have a look at themselves."

Hilgendorf is keen that the committee should have included in its terms of reference the board's promotional and research role.

He suggests the committee should look closely at the direction the meat industry is taking, whether the trend to more processing before export is correct.

"It is time to look at the direction the industry is heading and air some of the good ideas and misconceptions that appear," Hilgendorf said.

Under the heading "misconceptions" will be the board's shipping policy, which directs exporters to use ships of the conference lines except where there is no service.

Waitaki NZR chose to challenge the policy forcing the board to seize a shipment of 32 containers bound for Europe.

The board's action was viewed in some industry quarters as over reaction and heavy handed and the Supreme Court may yet be called on to test the validity of the board's actions.

The federation wants the committee to look thoroughly at all aspects of the processing industry and delicencing. It wants progress on the Meat Industry Amendment bill, due to be studied by the Government during the Christmas recess, to be delayed till the committee's report can be considered.

The board has been running a deficit for many years, drawing on industry reserves for the shortfall. In the last five years its expenditure has doubled to $9.4 million for the 1978/9 season.

Just over $5 million was spent on promotion, $3 million on administration both at home and overseas, $640,000 on grading and $736,000 on research.

The board's income was just over $5 million, leaving a deficit of $4.3 million.

This year the deficit is expected to grow even higher as inflation and the devaluing dollar add to the board's costs while the income from the 0.7 cents a kilo levy on meat exports hardly changes.

Public accounts set record deficit

Economics Correspondent

THE deficit in the Public Account to September was $1043 million, an increase of $464 million during the September quarter alone. This is the highest deficit ever recorded in a September quarter.

Interestingly, when the Public Accounts are analysed on an annual basis, the September figures suggests that the rate of change in the deficit is slowing down. The deficit for the entire year to March 1980 is expected to be lower than last year's high of $1446 million.

But the September figures do not put the Government's budgeting ability in a very good light. It seems likely that the deficit for the March year will be between $200 and $300 million more than the $1090 million recorded in this year's Budget estimates.

As the table shows, in the six months to September, government expenditure reached 47 per cent of the amount budgeted (including $17 million supplementary votes appropriated since the release of the Budget). Last year, when the deficit reached an all time high for the year, the Government's spending in the first six months was only 46 per cent of the amount budgeted.

The good news for the Government is that the rate of increase in Government spending does appear to be slowing down. In June this year, it was spending at a rate of nearly 16 per cent. At the end of September, Government spending was less than 15 per cent above the amount spent in the first six months the year before.

But the rate of spending will have to slow considerably in the next two quarters if total spending for the year is to reach the target of $7685 million. This amounts represents an increase of less than 12 per cent over the year before.

Total receipts to the Public Account are up on last year. Total receipts for the first six months of this year equalled 39 per cent of the budgeted level compared with 37 per cent last year

The rate of increase in receipts of 18 per cent is still substantially below the increase of nearly 22 per cent estimated in the Budget.

Income tax receipts, which according to the Government are the main factor which will generate increased tax revenue this year, were only 31 per cent of the Budgeted level by the end of September. Last year at the same time, income tax receipts were 33 per cent of the budgeted level.

And the Government's forecast for income tax last year turned out to be $210 million more than the Government was actually able to collect for the year.

If current trends continue, the amount collected in income tax revenue this year could be as much as $300 million less than the $4560 million the Government plans to collect by March 1980.

In fact, the current trends are unlikely to continue because tax reducations for some salary and wage earners came into force from October 1 this year.

Finance Minister, Rob Muldoon, said that one reason tax receipts appear to be growing at a slow rate is that they are recorded in the suspense account. The suspense account shows what Treasury has received in revenues, but has not had time to classify by the time the September accounts are closed.

In 1978, the September Public Accounts were released in late November. It appeared the Government did not want to public to know how high its deficit was until after the election. This year they were released on October 31.

Perhaps part of the price of more up-to-date accounts is less time for a complete classification of revenues and expenditures. But the Government must be commended for getting the accounts out just 31 days after they were closed.

Further, Muldoon's press statement, released with the accounts, made a bit more sense than usual. It could not by any means be considered an impartial assessment of what the accounts show, but at least it explained the accounts in the familiar Budget Table 2 basis.

In the past, the Prime Minister has preferred to evaluate the Public Accounts in accounting terms beyond the understanding of most taxpayers, who after all determine the ability of the Government to exist within a democracy

PUBLIC ACCOUNTS TO SEPTEMBER

	1979 Budget Estimates $ million	6 Months to September $ million	As per cent of Budget Estimate per cent
EXPENDITURE			
Administration	596	332	56
Foreign Relations	414	191	46
Dev of Industry	720	407	57
Education	931	510	55
Health	1040	525	47
Social Services	2162	1020	50
Transport Communic.	260	110	42
Debt Services	790	344	43
Misc Financing Transactions	355	159	45
Supplemetary Estimates	417		
General Imprest Acct Outstanding (1)	–	29	–
A: Total Expenditure	7685	3627	47
FINANCED FROM			
Income Tax	4560	1410	31
Customs, Sales Tax, Beer Duty	990	417	42
Highways Tax	145	61	42
Motor Spirits Tax	182	77	42
Other Taxation	218	85	39
Total Taxation	6095	2050	34
Interest, Profits, Miscellaneous Receipts	483	262	54
Trust Account, Suspense Account Outstanding (2)	–	272	--
B: Total Revenue	6578	2584	39
DEFICIT (A-B)	1090	1043	

(1) Monies spent but not yet classified by Government function.
(2) Monies collected in revenue but not yet classified by type of receipt go into the Suspense Account.

This Government has shown a complete inability to budget properly. But any attempts it makes to keep the public informed of the changing trends in its spending behaviour are a step in the right direction. More up-to-date public accounts set-out in a clear concise manner is a step in the right direction

Anyway this year's Budget was probably too contractionary. With the balance of payments deficit showing signs of increasing again it may be necessary for the Government to increase its spending above what it planned for the year in order to keep the economy going

So it may be no bad thing in economic terms if the Government's public account deficit this year does turn out to be above the level budgeted

Union forms industrial relations consultancy

by Colin James

ONE group of employers may soon find itself negotiating with a union-owned company for a labour contract in much the same way as individual employers deal with other companies on other matters.

Trade Union Research and Consultancy Ltd has been formed by the New Zealand Harbour Boards Employees Union to act as an industrial and economic consultant to itself and any other unions that want to buy in.

Through the company, union secretary Ralph Gerdelan, 30, aims to do the sort of detailed research that will enable new paths to be mapped out in union-employer negotiations.

Its wide-ranging articles of association will allow it scope to operate in many fields — providing staff and office services, training, legal and other advice and possible travel agency and credit union management.

It may also be used as a negotiating agent for the harbour boards union.

Gerdelan has lured widely respected industrial lawyer Rod Trott away from the Federation of Labour to work fulltime for the company. It will initially let ad hoc contracts to economists for specific projects and may eventually hire fulltime economic staff.

Gerdelan's move is in reaction to what he sees as inadequate finance and resources for the FOL.

He feels unions need to change their negotiating approach drastically if they are to adequately protect their members in the 1980s and beyond.

"There is a desperate need for an efficient consultancy organisation outside the FOL, to give unions day-to-day advice in the administration of their affairs and to prepare substantial appraisal of various industries to help unions in their negotiations," he says.

The company is being established from a research fund held by the harbour boards union. Other unions will be invited to subscribe.

It will operate as a self-financing venture, selling its advice, research and services to client unions.

Why a company? The reason is its flexibility. Unions are legally restricted in what they can do.

An example of the problem is the award system. Though Gerdelan plans to continue for a while at least with awards in his industry, he says they restrict what can be bargained over.

"They contain unions and employers in an outmoded straitjacket of the 1890s," he says, referring to the passing in 1894 of the original Industrial Conciliation and Arbitration Amendment Act, forerunner of the present Industrial Relations Act.

THE INDUSTRIAL FRONT

"They allow Government intervention, wage-fixing and trend-setting awards that effectively fix the rates, within a per cent or two, for all workers.

"Negotiations should be voluntary and private and should encompass as wide a range of matters as are available in the imagination of the bargainers."

One example of such matters is worker control of superannuation funds and the management and size of the funds and contributions (See NBR, p27, June 13).

Another is worker participation.

"We need to know how to bargain for involvement in decision-making and for that we need to know the structure of companies and where the decisions are coming from, particularly when they include foreign investment."

Gerdelan sees the company as providing background material for negotiations with employers.

He sees this function going wide and deep — into harbour boards' profitability, usage and costs, for example, and the implications for future investment and possible rationalisation.

The cost and impact of containerisation and the coordination of the ports and the internal transport system is another aspect: whether internal shipment costs are higher than external costs, and if so, why.

Another aspect is the impact of technology, which can only in Gerdelan's view be properly assessed by using sophisticated research techniques (including modern data processing technology).

A fourth aspect is the actual cost of labour to the boards, the total cost of the industrial agreement and the pass-on factor to the port user—the markup, in other words.

"We think it is the right of the union to determine how that total wage bill is to be paid and who it is to be paid to," Gerdelan says.

He foresees the introduction of flexibility between wage rates paid to different types of harbour board employee, limiting margins in percentage terms in return for a "decent minimum living wage" for the workers at the bottom.

"Trade unions bargain for tens of millions of dollars over the wages table every year," Gerdelan says. "It is one of the most important factors in the New Zealand gross national product.

"We need to ask ourselves as unions whether we are handling our side of the contribution to the economy from an informed and responsible point of view.

"How much control over this enormous slice of wealth do we really have? Is the wealth being distributed amongst workers in a fair and equitable manner or is it to continually restore unnecessary relativities and inhuman traditions?

"The unions have got to illustrate that they can manage the collective sale of workers' services in an expert way. In this respect the FOL has yet to be born and yet to get into the race."

Gerdelan says that by setting up a company for research and eventually negotiating the "sale" of labour, the union is "accepting that a trade union is a corporate body similar to companies in many respects.

"There is no inherent difference in money terms between a corporate body selling a wages contract to a company and a deal between companies on raw materials or components.

"It comes down to reappraising the contractual relations between the workers' corporation and the employers' corporation."

Gerdelan notes, in the context of the continuing debate over voluntary unionism, that port users have little choice as to which harbour board they deal with.

"So the employers can't really say that we are not in a contractual situation when they have got exactly the same ability to sell the services of the port as we have to sell labour services."

Gerdelan argues that the union is already a corporate body which can be sued at common law, so "why shouldn't we avail ourselves of the end-profits of being a corporate body.

"It will allow us to buy into the industry as shareholders or debenture holders and to develop a cleaner relationship with the employers, on a company-to-company basis, rather than under the employer-union stigma — negotiating on the basis of the businessman's ideal of a fair deal."

The harbour boards union is already part-owner, with a waterside workers union, of a container repair company in Port Chalmers.

Aiming for maximum flexibility, Gerdelan has written very wide articles of association for Trade Union Research and Consultancy Ltd.

Its union services clause will allow it to:

- Provide office space and services.
- Provide managerial, administrative, computing, printing and copying services.
- Provide field staff, consultancy and research facilities for client unions.
- Teach and train union officials and staff
- Provide legal, financial, social and budgetary advice.
- Go into manufacturing, retailing and hiring

But the articles go far beyond that, allowing the company, among other things, to operate a travel agency, loan services (intended to service a credit union) and trusts.

Ford : number one slot

BASED on registration figures to September, Ford Motor Company can claim 1979 as the year of the Ford. It has retained number one slot all year and doesn't look like being toppled.

Registrations of new cars to September totalled 49,718 (after 1924 ex-overseas cars are taken off). Based on this level of trade, the year-end total will be about 67,500 — close to Mazda NZ Ltd's forecast of 68,000.

Besides top market share, Ford dominates all three sales classes. The Escort range has outsold Toyota's Corolla by 400 units.

Cortina continues to show the rest of the medium size market what a wide range and emphasis on fleet sales can do for market acceptance.

Cortina is New Zealand's top-selling car.

In the large market — which has contracted further in 1979 —Falcon tops the list, keeping arch rival Holden in number two position.

Holden's Commodore may provide Falcon with stiff competition in the near future when supplies of local assembled cars increase.

So far this year, the large sector has accounted for 11.3 per cent of total registrations, down from 12.7 per cent in 1978.

The trend has been for continued decline. But Ford managing director, Joe Auton, says: "In our judgment, large cars are going to continue to hold their present 10 per cent or so of the total market. There is unlikely to be much further recuction as there will always be some who really need this size of car for the continuation of their business or their life style."

The other market sector has seen minor changes this year, with the medium 1301-2000cc class falling from 49.5 per cent in 1978 to 48.1 per cent.

This fall, and the small decline in the large sector, have increased the 0 to 1300cc bracket, improving from 37.8 per cent to 40.6 per cent.

It appears unlikely that there will be any major shifts in these two classes in the near future, although popularity of smaller cars could reach 1976 levels of 46.2 per cent.

Cars manufactured in Japan are the most popular on the local market, taking 47 per cent. United Kingdom-sourced ones hold just over one-third, while Australian cars total 13 per cent.

Of the Japanese marques, Mitsubishi are the top sellers.

Rumour machine sails

by John Draper

THE rumour machine is setting sail on the non-conference rate cutting Belgian shipping Line ABC.

NBR understands from industry sources that ABC originally wanted to join existing conferences to serve New Zealand before embarking on its cut rate attack.

A predecessor of the Dutch shipping line Nedlloyd operated *outside the European conference* for 10 years before finally being accepted as a conference member.

But Tsvi Rosenfeld, the Belgian millionaire owner of ABC, denies that it is his long-term desire to join the conferences operating to Europe or North America.

He admits 18 months ago he did try to reach agreement with North American conference operator ACT.

"I wanted to reach co-operation with ACT for three reasons", he told NBR.

"First in 1975 I had entered into a three year contract with Dupont from Geraldton, Australia to the United States, which was renewed last year for a straight additional 15 years and I had to position ships in Australia.

"The shortest route for positioning ships back in Australia would be to send them from the USA with containers to Australia and New Zealand.

"In this case only two ships would have been ample and would have been able to take care of the Dupont contract.

"I wanted to put the ships at the disposal of ACT for the southbound leg from the USA because with two ships you cannot start a service and my family in Israel are agents for Farrell Line and therefore I could not compete in this trade."

Rosenfeld denies there was any question of negotiating for admission to the UK/Continent to Australia nor the UK/Continent to New Zealand service.

"I did not think it would be necessary for us to start the ABC Containerline at that time, but was just trying to find the best possible way to bring the ships from the USA to Australia which of course was with containers."

ACT's disinterest encouraged Rosenfeld to consider operating a UK/Continent to Australia/New Zealand container service with a minimum of four ships.

"I did not discuss with ACT nor with any other conference member for that matter, the possibility of admission to the UK/Continent conferences," Rosenfeld said.

"After making a thorough market study I decided to make the Containerline service around the world and 14 months ago ABC Containerline started operations with four bulk plus container carriers from Australia to USA/UK/Continent and from the US Gulf/South Atlantic to UK/Continent."

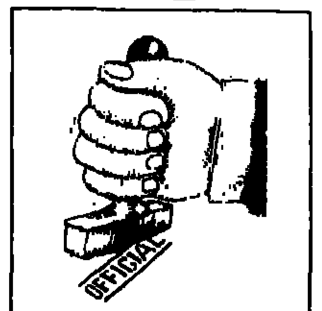
Two months ago New Zealand was added to the round the world schedule and two extra ships were introduced to give a frequent service.

Rosenfeld also claims that the Conference lines ar spreading rumours as to the length of the Dupont contract which provides the base loade for ABC.

"The contract is for 15 years as from January 1 1979," Rosenfeld said.

"Ther is absolutely no question of renewal every three years and Dupont own the majority of the shares in the mine at Geraldton."

Armed forces manoeuvre for buying spree



GOVERNMENT ADMINISTRATION

WITH a node from their political masters in the form of the Defence Review the armed forces are on a buying spree.

The Navy will get most, a frigate to replace HMNZS Taranaki, helicopters to replace the ageing Wasps while the army will get Scorpion armoured cars and a wide range of support vehicles.

The Air Force gets little this time round, three Air New Zealand cast off Friendships and the merest hint of a new Hercules freighter by the late 1980s.

Elsewhere the slightest hint of a defence dollar has sent arms salesmen, with their lavish expense accounts and special way of entertaining, in hot pursuit.

But not, it seems, to this quiet backwater in the South Pacific.

Westland Helicopters regional sales manager Rodney Parfitt dropped by last week to expound the virtues of the Lynx family.

Appropriately the event, attended by the Chief of Defence Staff Air Marshall Sir Richard Bolt and his senior officers, was held in Armour Avenue, Wellington.

For Westland, trying to provide the Lynx in three different forms to fulfill the needs of each service, the venue normally used for wedding receptions, may also have been in keeping.

It was very much the soft sell, two films, a slide show to point out the technical merits and a pleasant, though hardly lavish buffet lunch.

But the Westland Lynx in its naval kit has little competition. The Navy already flies its predecessor the Westland Wasp and progression to the Lynx is almost a natural step.

The American competition is twice the size and too heavy to operater from the flight deck of the New Zealand frigates, a point Parfitt knows well.

But the sale is not in the bag and there is the tantalising prospect of selling the Army Lynx and the newest in the range the WG30 to fulfill the requirements mentioned in last year's defence review.

The review, for an unspecified period but thought to be the 1980's, says the Army's Iriquois and Sioux helicopters can be kept in service "through the review period".

But on safety grounds a small element of twin engined helicopters is justified on the grounds of safety alone for rescue work in the mountains and over sea.

"Such aircraft also offer potential for coastal fisheries protection and Antarctic support tasks and their introduction is planned during the review period."

At around $3 million each, the WG30 and the Lynx are at the expensive end of the market.

As an established Westland customer, the Defence department is kept up to date by the company and its competitors on developments.

Westland has already arranged for the British Royal Navy to call by once with a Lynx equipped ship to give the New Zealand navy a chance to see it in action.

And Parfitt will happily arrange for another if the Defence chiefs want.

He makes no secret of the close co-operation between the company and the armed forces in Britain. The Lynx was developed specifically for the British Navy and Army and now they are called on to be part of the sales team.

There is also a possibility that Westland's could bring out an Army demonstration model sometime next year if enough interest was shown.

Last week's show was in Parfitt's words "a shop window exercise".

The Navy has yet to spell out in detail its requirement, and it's no secret according to Parfitt is long the specification written as close as possible to the Lynx capabilities.

With that aim in mind, the company is ready to send technical experts to talk with the Navy on details and if necessary, arrange for officers to travel to the United Knigdom to see a demonstration laid on by the British forces.

New Zealand's irregular and often small orders for defence equipment attracts few visits unless they include a visit as part of an Australasian tour.

Defence planners do most of their study on paper using specifications sent by manufacturers, and the visit of Defence Attaches at overseas posts to secret weapons exhibitions.

The study done, a team is sent overseas for a final evaluation.

The armed forces problem is money. Less than 10 per cent of the Defence Vote is for capital equipment and in real terms the amount available is now less than it was five years ago.

Expenditure was further postponed pending the publication of the Defence Review last year, a factor that is already being felt by some Defence contractors. General Motors imported specialist vehicles for examination by the Army after considerable interest was shown.

Those vehicles are now sitting idle and virtually unsaleable on the local market after the Army's evaluation team was disbanded.

Tenders now may be called for assorted vehicles early next year.

Buying new equipment is a lengthy process. The Defence after completing its studies submits a report to Treasury for scrutiny. Eventually that gets to the Cabinet Defence committee and for big decisions such as the Taranaki's replacement ship to the full Cabinet.

Board's 'sympathy' for foreign interests sparks attack

by Warren Berryman

THE Wool Board's trade policies favouring the shipping cartels and overseas wool interests are under fire from the New Zealand-owned sector of this country's wool industry.

The Wool Board is accused of acting contrary to the interests of the farmer and locally owned wool companies and exporters by siding with foreign-owned wool buyers and the shipping lines.

On one side of the argument are the locally owned companies which control about 30 per cent of wool exports; on the other, the foreign influenced "wool club" which controls the remaining 70 per cent of exports.

The "wool club" comprises the Wool Board, Dalgetys, Wrightson NMA, overseas wool buyers, and the shipping cartel members.

Two major points are at issue:

- The Wool Board's refusal to allow ABC Containerline to carry wool at rates less than those charged by the shipping cartels, thus handing a freight advantage to our Australian competitors. The higher freight rates, insisted on by the Wool Board, mean lower wool prices paid to the farmer by overseas buyers, it is claimed.
- The Wool Board's policy of having freight rates on wool charged on a per tonne basis rather than on volume — or box rate basis.

Several local companies gained a technological advantage over "wool club" companies by installing high-density baling presses which allow them to compress double the amount of wool into a shipping container.

Space saving through high-density balling can — and has in the past — cut freight rates almost in half — provided the shipping company is allowed by the Wool Board to offer a box rate; (freight charged on a per container basis rather than per tonne).

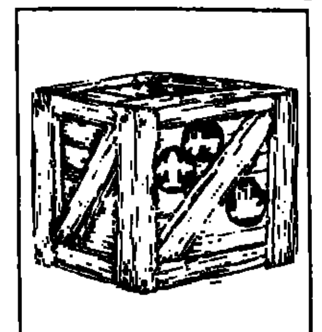
Non-club companies — such as Robert Ferrier Ltd, Mair and Company, Lous Wood and Son, E Lichtenstein and Co, and the New Zealand Co-operative Wool Marketing Association Ltd — claim to have been severely disadvantaged by the Wool Board's shipping policies.

But the non-club companies have pioneered high-density baling and dumping — and would like to see their initiative and investment pay off.

The Wool Board and the shipping cartel negotiated a small freight concession last year for high-density baling.

But the independents complain this concession is "chicken feed" compared with the attractive box rates they have been offered by non-conference lines and prohibited from accepting from the Wool Board.

The same cartel ships that serve the UK and Europe



TRANSPORT

trade carry Australian dense-baled wool for less than they charge New Zealand shippers.

Where the independents have been allowed to use non-conference ships they have achieved savings through box rates of up to 40 per cent.

But the Wool Board will not allow them to use non-conference lines on the major wool trades.

And the Wool Board is reluctant to allow the independents to negotiate box rates with the cartel because that would give them a freight advantage over the 70 per cent of the wool trade which is foreign owned.

The Wool Board's policy has been one of uniformity and majority rule. This means the technological innovator is not allowed to gain any advantage over his competitors.

The Wool Board can justly *say it is acting in the interests* of a majority of the wool trade. The majority appear to want uniform freight rates with no advantage to the independents using dense-balling facilities.

But the majority — including overseas interests — are said by board critics to have little investment in New Zealand aimed at cost-saving in freight and handling.

The independents ask "what is the value of expensive containerisation if the ability to consolidate cargo is stifled by per tonne rates that discourage investment in new technology?

Mair and Co pioneered a box rate to Mauritius and Hong Kong, achieving a considerable savings on freight and an advantage over their "in-club" competitors stemming from their investment in dense baling equipment.

But last year, the Wool Board stepped in under the powers of the Wool Act. It imposed a per tonne rate on those trades, wiping out Mair and Co's freight advantage.

Now the Wool Board is expressing a desire to stop all box rates on the Iran, Australian, Indian, and Pakistan trades.

The dense-baling independents have enjoyed freight reductions, through box rates, from 20 to 40 per cent on those trades.

The independents have focussed criticism on David Young, the Wool Board's transport manager.

But Young acts on the advice of the Wool Freight Council, and a Wool Board official cautioned NBR against publishing references critical of individual staff members. He said staff carry out the policies of the board and the Wool Freight Council.

The council is dominated by overseas wool buying and shipping interests with one dissenting exception; Jack McCarthy of the New Zealand Co-operative Wool Marketing Association.

The New Zealand Co-op, with its 10,000 farmer members, as its name suggests is wholly New Zealand owned and our biggest exporter of scoured wool.

McCarthy came out strongly in favour of free competition from the banned ABC Containerline and in favour of box rates in a recent issue of the Co-op's newsletter.

"It is ironical that the 70 per cent sector of wool exports, basically controlled by overseas interests, all insist on

DENSE BALER ... box rate savings

competitive access to the purchase of wool clip but are not at all interested in encouraging competitive elements to curtail internal handling costs or the costs of overseas freights," McCarthy said.

"On the other hand the 30 per cent locally owned segment is pushing for genuine competition from the time the wool passes through the farm gates. It may well be that a modicum of competition would be the best solution to local exporters' problems — as simple as ABC."

Meanwhile New Zealand-owned wool companies are submerging their separate interests to form a united front against the Wool Board's transport policies.

Support is being sought from Federated Farmers in a fight that is likely to cast the Wool Board in the role of a foreign agent — rather than the New Zealand wool industry's organisation.

The Meat Producers Board has powers similar to those wielded by the Wool Board and used them to seize a large shipment of meat from Waitaki NZR to prevent Waitaki from shipping with ABC.

Shipping with ABC would have saved Waitaki about $5 million a year. Now Waitaki is going to take the Meat Board to the Supreme Court to challenge its powers.

The political point in question is whether the Meat and Wool Boards should retain their absolute power to dictate to private companies telling them with whom they may or may not ship.

Two factors might influence a Government decision.

First, there is the Government's stated aim of a more market-oriented economy.

Secondly, there is the billion-dollar-plus invisibles deficit being increased by the shipping cartel's cost plus demands for higher freight rates.

In the end competitive shipping rates are unlikely to emerge without legislative changes to the Meat and Wool Acts.

Powerful vested interests dominating the Meat and Wool Board's decision making are unlikely to relinquish their favoured position under the shipping cartels monopoly unless free enterprise competition is enshrined in law.

by Colin James

THE Commerce Amendment Act, with its sweeping powers of Government intervention in business, does not immediately strike one as a shining example of the reassertion of National Party state-hands-off philosophy.

How is it to be reconciled? National Business Review put the question to two backbenchers who have argued the anti-state case forcefully during this term, Paul East (Rotorua) and Geoff Thompson (Horowhenua).

Both were key figures in the backbench destruction of the fiscal regulator, the Treasury device for reducing income tax while Parliament is not sitting.

East led the original opposition; Thompson proposed the *solution finally* accepted.

The essence of their answers is that we live in an imperfect world in which the market is deficient in some respects.

The Commerce Amendment Act, which allows the state to restrain prices of individual employers, is designed to make the businessman more responsible to consumers and the economy where the market does not already do it.

Neither MP sees it being unfairly or indiscriminately used. If it was, Thompson says, he would fight against it.

Below are their comments:

Geoff Thompson: reminder about responsibility

Thompson: The Commerce Amendment Act can be justified as *the third stage in* price responsibility.

It gives the opportunity to home in on individual transgressors rather than en bloc transgressors, a power already held under *section 82* of the main Act and the price surveillance regulations that were introduced earlier this year.

The timing is also quite significant because in April we revoked the Stabilisation of Prices Regulations but we allowed six months for that to come into effect. The Commerce Amendment Act has come in more or less to coincide with that.

If you take it straight down the line on this question of price responsibility it is *justifiable.*

The question that might be asked is, Doesn't it represent the reintroduction of old-fashioned price control? The answer is, Not at this stage.

NBR: *Is it aimed at the unions?*

Thompson: I would say, quite the contrary. It is aimed at irresponsible employers.

NBR: But irresponsible employers who give in to *unions?*

Thompson: You might say this adds a little more backbone to employers. In my view there are certain employers who are not known for stan*ding up to wage demands* because they know they can pass them on in a cost-plus society. A little reminder about responsibility in that respect is not a bad thing.

NBR: So this Act is in that sense doing what the market now fails to do?

Thompson: It is fine to talk about the market in the broader sense, but I don't think in the scale of our market there is sufficient competition to satisfy all cases.

We also have a very, very highly structured pricing *system through a large* number of pricing authorities and things like that. Those have grown up over the years and virtually endorse cost-plus instead of saying, You go out *there and justify your com*petitiveness.

NBR: The other concern about the Act is that it does allow the Government to deal with individual cases. Isn't that contrary to a fundamental *principle* of British law that laws are applied only to classes or people or to the whole community, but not individuals.

Thompson: No. I don't accept that as an accurate principle. In the Commerce Act as it stood you had the opportunity to home in on offenders. A classic example is the monopoly controls which I think are important.

I also don't believe that you have to accept that all traders, whether they are individuals or a class, are there for the public benefit. They are there to do as well as they possibly can and as well as the market can stand.

Some people will do that with honesty and broad regard for *social responsibility. Others* will screw whatever they can out of it.

NBR: You don't regard this as an extension of the powers and activities of the state into the marketplace?

Thompson: The strict attitude I take is basically that the state undertakes the responsibility to provide the climate within which business should operate. The climate is the sort of backup or the background control — not the detailed control, but background to know how far businesses can go.

NBR: But *doesn't this Act go* into the realm of detailed control, enabling the Government to single out individual employers and arbitrarily control their prices?

Thompson: It gives it that power, yes. It has a regulation-making that is broad enough to single out individuals. But whether it would do it arbitrarily or without regard to a broad standard or test is something else entirely. I don't think it would.

NBR: But you are quite happy to have this Act on the statute book for the use possibly by a socialist government in the future?

Thompson: There is nothing we can do to stop a socialist government the day after it becomes the Government introducing the most draconian anti-business measures.

So whether it is on the statute book now is entirely irrelevant and I think we can look at any law only in relation to the way we would apply it.

NBR: You see no contradiction between this Act *and the mood in the party this* year which I think, you fully share of a return to the principles in the party's constitution?

Thompson: I am very aware and support the philosophies which have been re-emphasised this year. But as a politician I also need to ensure that it is interpreted in practical ways

So that is why you might see moves that appear to be contrary to or not fully consistent with the purist approach. What I am saying as a politician, is that practical involvement and exposure to all the complexities of government introduces some restraints necessarily

So, while I mightn't go so far as saying that politics is the art of the possible. I do say that pure philosophy must be tempered by political practicality.

But I want to make it very clear that I am very strongly committed to the party. It got me where I am. I endorse, because they are my fundamental feelings, the conservative approach to administration and I endorse primarily the right of the individual to get out and do what he wants to do within the law.

But freedom, which is what a lot of what the party has been talking about this year, involves responsibility. In the Commerce Amendment Act we in Parliament are just reminding businessmen of the responsibility that goes with their freedom.

NBR: If it starts going too far down the road towards full price control, what will you do?

Thompson: I will argue that we have got to be very careful in maintaining our attitude to price control and that while the complexities of industrial law and commercial law can cause us to change from time to time, that's a broad-ranging principle which we have got to be careful about

Paul East: power to stop "soft" settlements

I *think there is some strength* to the argument that the Commerce Amendment Act can be seen as a measure to give considerable power to a Government which many *would argue* was contrary to the true philosophy of private enterprise in that businesses should suffer as little Government control as possible.

But that is a fairly simplistic way of approaching the subject.

I will take first the constitutional point and differentiate between the Commerce Amendment Act and the measure proposed earlier in the year regarding the lowering of taxation when Parliament wasn't sitting — the fiscal regulator.

The constitutional significance of the fiscal regulator is far greater in that our constitution is based on the right of Parliament to levy taxes.

There is a great deal of strength to the argument that if the executive is able to levy taxes without the consent of Parliament, then that was a whittling away of the powers of Parliament as they were originally founded by the Bill of Rights.

The situation with the Commerce Amendment Act is somewhat different. It doesn't have the same historical significance and it doesn't have the same constitutional significance.

But it can be criticised in that it is giving to the *Government a considerable* amount of power.

Power is necessary, of course, if a government is going to govern a country and the measure of power that a government takes to itself often is balanced by the problem which has to be dealt with.

The Commerce Amendment Act is endeavouring to grapple with an extremely difficult problem, that really is at the crux of the whole economic future of the country — the present rate of inflation and the ability of the Government to hold inflation and also to ensure that there isn't a round of inflationary wage settlements which will pass on costs to the consumer and in the end benefit nobody.

I have no doubt that there have been in a number of industries what could be termed "soft" settlements where businesses have settled under union pressure at award rates which aren't in the interests of the country as a whole.

And they have done that because they have the ability to pass on the costs involved in a high wage settlement directly to the consumer. That only fuels inflation.

So this measure will allow the Government to prohibit industries from passing on costs to the consumer in order to pay what the Government considers to be unrealistic wages.

Now that can fairly be criticised as setting the Government up as judge and jury in its own cause.

But the economic future of the country is at such a crucial stage that I believe the Government can rightly assert this power.

We still live in a parliamentary democracy, we elect the Government to govern, hopefully to hold inflation and this is one piece of equipment that the Govern*ment can use to ensure that* wage settlements aren't unreasonable and inflation is held within reasonable bounds.

I agree that this measure places considerable power in the hands of the executive.

However, I certainly don't imagine it will be used in any vindictive way, selectively *against any particular* business, but rather that it will be used in a situation where there is blatant evidence of an award being settled at a quite unreasonable rate on the basis *that the industries concerned* can pass these costs directly on to the consumer.

I see the measure really as some sort of halfway house between the undesirable situation of complete price and wage control and the alternative and more desirable situation where there is complete free wage bargaining.

I don't really believe that we *can now claim we have free* wage bargaining.

But I also believe that the economy is at a stage where we *are unable to afford the* luxury of free wage bargaining.

The Government, being elected to govern, must spell out clearly what it believes to *be an appropriate* level *to* settle wages at, offer firm guidelines to industries and unions and only if these guidelines are exceeded should it use any of these measures *under the Commerce* Amendment Act.

NBR BUSINESS WEEK

Savings stock issue maintains interest rate level

by Peter V O'Brien

THE Government's decision to raise the interest rate on its new savings stock issue which opened on Monday is another indication that interest rates are unlikely to ease in the short term.

The 11.5 per cent rate compared with 11 per cent offered for one year on previous savings stock issues. It is below the rates offered for one year by leading finance houses (they are in the 14 per cent range or slightly higher), but it will probably attract a reasonable amount of money from people looking for a top security over a relatively short period.

An investor on December 7, however will receive an effective return of 13.4 per cent if he redeems 313 days later, on October 15, 1980.

The changes to inflation adjusted savings bonds should also tap a market among those who are prepared to tie up their money for a longer period, provided they will get back, in terms of inflation erosion, at least as much as they invested.

The bonds were introduced to the savings system in the 1977 Budget. The bonds have a minimum term of five years but they are redeemed at a value which increases in line with movements in the Consumers Price Index. The additional "value" is non-taxable, although the interest rate of 2 per cent, paid annually, is liable for tax.

Until last week investment in inflation adjusted savings bonds was limited to $1000 a year for each individual, with a maximum holding of $5000.

The annual investment is raised to $5000, while the total holding moves up to $10,000.

The Government has received about $20 million since the bonds were introduced, but there may be renewed interest in this form of alternative investment following the new provisions.

Assuming the inflation over the next year is 14 per cent (whether it is higher or lower fails to affect the example), the investor in inflation adjusted bonds receives a "return" of 16 per cent, of which 14 per cent is tax free.

The savings stock, by comparison, pays 11.5 per cent, which is all taxable, subject to the general tax exemption applicable to interest payments.

Assuming that an individual has already used the general exemption, and has a marginal tax rate of 50 cents in the dollar on additional income, the holder of $5000 in the savings stock finishes with $587·50 of income after tax.

The same $5000 invested in inflation adjusted savings bonds will give $750 after tax for the year, if there is a 14 per cent inflation rate.

The savings stock investors of course, receive their return after one year, while the person with inflation adjusted savings bonds has to wait for five years before getting the funds.

The bonds also have the other slight disadvantage that the increase is based on the total movement in the CPI over five years with a 5 per cent minimum a year. Therefore, that investor would have to see an overall change in the index more than whatever interest rates the Government decided in each annual stock issue over five years.

But the tax free nature of the CPI increment would probably still outweigh the alternative investment unless inflation averages out at less than 6 per cent a year until 1984.

The latest moves may seem insignificant in themselves, but when coupled with other movements in monetary policy and official monetary aggregates they show a continuation of the tight rein policy apparent this year.

The trading banks felt the effects of tightening liquidity in recent weeks. Their reserve asset ratios were eased for November, after some banks were chasing money at unusually high interest rates.

The commercial bill market is now seeing the discount rate on 90 day paper moving to the 16 per cent mark, and at least one company was seeking substantial sums two weeks ago.

A leading finance company offered a special (apparently one-off) rate of 16.25 per cent at the same time. These interest rates are unavailable to the small investor. You need to be well-heeled to strike a special rate with the finance organisations.

Interest rates and government policy have to be considered against the background of two opposing elements in the present monetary pattern. First is the continuing decline in growth of the money supply, the M3 monetary aggregate (defined as the notes and coin, demand deposits in those enterprises and the demand and time deposits of "selected financial institutions") and in private sector credit expansion.

In the year to September M1 increased 7.4 per cent, M3 went up 18.9 per cent, and private sector credit expanded 24.7 per cent. The corresponding figures for the year to August were respectively 8.5 per cent, 19.6 per cent and 26.3 per cent. The comparatively low levels of growth at the start of the "chain" (M1, M2, and to a lesser extent M3) will work through to private credit expansion over the coming months.

The second, and opposing factor, is the effect of government policies in the taxation and general welfare field plus additional money arising from wage increases, backpay and so on. [illegible] tax cut took effect from October while last week the family benefit was increased to $6 a week.

That pumps more money [illegible] into the private sector, to offset [illegible] steady reduction in monetary growth.

The result is a constant [illegible] ment of money flows and [illegible] growth in the economy, [illegible] tored by the official bodies, Treasury and the Reserve Bank, leading to the increasing number of small policy changes which have been evident this year.

Money supply growth and Government deficit spending (to the extent it is not financed by the non-bank private sector) are the only influence on the interest rate, unless one is a total [illegible] rist and they are a mutating [illegible] these days, but they are two [illegible] elements.

Changing monetary policies have to be read in the light of these developments and other pressures on the economy.

Analysing annual accounts

by Peter V O'Brien

TNL Group Ltd, the Nelson-based diversified tourist, transport, mineral and horticultural group, introduced another innovation this year to its traditionally informative annual report.

The company adopted divisional accounting for its five broad areas of business. The table is compiled from the divisional breakdown. We added in "return on revenue", "revenue per employee" and "profit per employee". The "loss" in the corporate services division is rather academic, because it includes unallocated head office costs and "the results of discontinued lines of business".

The table shows that passengers and tourist (the Seamans' subsidiary) was the most profitable section of group business, with the exception of return on revenue, where the exporting, farming and investment division produced a higher return on revenue and made the largest profit contribution per employee.

There seem to be two reasons for that division "scoring" well.

First, exporting, and probably farming, require few people for a high level of revenue and profit.

Second, profit relative to revenue should also be high, because the depreciation factor is lower in such business.

The asset investment offsets those advantages. TNL's farming activities include investment in horticultural projects. The company says that no horticultural trading revenue was received during the year. Therefore the overall profit return on assets which produced no revenue is dragged down.

The table shows, perhaps surprisingly, that freighting and contracting gave the second best return, when both categories are taken together, although the labour intensive nature of the business (only one man can drive one truck) reduced the dollar revenue and profit per employee.

Freighting did reasonably well throughout the economy last year, particularly those groups like TNL which have a strong base in rural cartage.

Industrial disputes affected the division's profitability towards the end of the year, but improved rural conditions apparently gave the freighting business a sound base during the season.

The report refers to improved efficiency, which would also contribute to higher profits in the division. The cost of vehicles, coupled with road user charges expected to reach $2 million this year, put pressure on returns, but this section of TNL is making useful contributions to the total figures.

The problem of vehicle costs shows up in the company's statement of inflation adjusted accounts. The group used the Richardson committee's system, modified by the Accountants' Society.

The depreciation rises from $2,249,000 in the historical accounts to $5,273,000. In 1978 depreciation in the historical accounts was $2,543,000, moving to $4,524,000 when adjusted for inflation.

The book value of depreciable fixed assets (which excludes land) was $25.7 million, and coaches and trucks accounted for $11.9 million (46.3 per cent) of that total. The depreciation calculation under current cost accounting is based on replacement costs, and the present prices of transport equipment are probably the main reason for the substantial lift in depreciation.

ACTIVITY	REVENUE $'000	NET PROFIT $'000	RETURN ON REVENUE PER CENT	TOTAL ASSETS $'000	RETURN ON ASSETS PER CENT	NO OF EMPLOYEES	REVENUE PER EMPLOYEE $	PROFIT PER EMPLOYEE $
Passengers & Tourist	21356	1669	7.81	12153	14.4	387	55188	4312
Freighting & Contract	20513	1056	5.14	21461	5.4	902	22741	1170
Minerals & Chemicals	7024	327	4.65	6746	5.2	167	42059	1956
Exporting, Farming & Investment	1995	494	24.76	10668	4.7	34	58676	14529
Corporate Services	765	(373)	-	1572	-	23	33260	-
TOTAL	51655	3173	6.14	52600	6.03	1513	34140	2097

The company follows its usual practice of simple explanations (without screeds of print) on movements in balance sheet items, and includes a detailed breakdown of the taxation provision. The latter was $826,000 last year compared with $379,000 in 1978.

There are nine adjustments to net profit before striking the taxation figure, but they are all stated, contrary to the practice of many other companies whose accounts are examined here.

TNL is still financially strong, in spite of the nil revenue contribution of various horticultural activities, which will become revenue and profit producing this year, and increase their returns at an increasing rate after 1980.

The proprietorship ratio (shareholders funds to total assets) was 57.9 per cent at balance date, compared with 57.2 per cent in 1978. Cash flow (net profit plus depreciation and cash received from non-trading profits) was 10.56 per cent, as against 11.34 per cent in the previous year.

The return fell slightly, but it must be remembered that some capital investment, which was higher than in 1978, is still to produce profit. The return is still comfortable, after allowance for the modest decline, and sufficient to support the investment.

Talking bears fruit: development scheme evolves

by Peter V O'Brien

THE country is seeing the evolution of "plans" for development, after a long period when people sat around talking about the topic.

Four recent events suggest that before long we will be presented with a broadly based development scheme for the 1980s.

While the various matters taken together fall short of the detailed "roll-over" updated planning used in other countries, they are a change to the New Zealand style of doing things.

The first point is the operation of the investment unit in Trade and Industry. This was formulated in the 1979 Budget, and is designed to cut through the tortuous approval procedures in departments, local authorities and other bodies before an industrial scheme can go ahead.

It will be interesting to see what effect the persuasive powers of the unit has on any intransigent local authorities or the mass of other controllers who permeate the New Zealand landscape.

It is interesting to read the comments of Trade and Industry Minister, L.Oance Adams-Schneider, to the Christchurch chapter of Jaycees on October 26.

Adams-Schneider told the *meeting that the investment unit* had dealt with 50 investment proposals in four months.

"Dealt with" may not mean that the investments are imminent, because the time lag between initial talk on proposals and their commencement, or announcement can be considerable.

The key point of the unit's success will be its ability to cover adequately the four "objectives" included in Adams-Schneider's speech:

- to assist investors whether local or overseas in researching their projects.
- to ensure that their applications for any consents necessary are processed with minimum delay by the central and local government agencies concerned.
- to develop proposals for streamlining consent procedures
- to increase the number of investment proposals being made particularly in those areas of the economy where there is immediate scope for increased investment.

The second aspect of development is the much publicised National Development Bill. Whatever emerges finally from the select committee and Parliament, it will probably still be criticised. The final act, taken with other moves will have an influence on the country's development over the next decade.

It can be read in conjunction with the idea of developing "proposals" for streamlining consent procedures.

Some critics of that bill seem to have their criticism misplaced, in a broad sense as opposed to questions of detail and safeguards for local and individual rights. On the one hand there is criticism of the rigmarole required to set up an *industrial* project, while on the other, again broadly speaking, some critics of regulation and control are totally opposed to any scheme to overcome the bottleneck.

Point three of the four mentioned earlier is also found in Adams-Schneider's Christchurch speech.

"In respect of identifying resources, my colleague Mr Birch with his national development hat has set up a group, including a representative from my department, to prepare a 'catalogue of growth opportunities' to be distributed by the end of the year. This will define the scope for investment and new industrial growth in New Zealand including material on the areas of development *I have already referred to. The preparation of this catalogue* has helped focus the government's attention on untapped growth opportunities as well as on impediments to growth."

Ah well, it takes time for things to happen, but here are some quotes from NBR this year

February 14: (referring to a possible Industry Corporation) "It would actively seek out industrial opportunities, utilising overseas investment either alone or preferably in partnership with New Zealand firms. It would promote New Zealand as an industrial site in other countries, particularly in the United States, Japan and Germany, and would act as the *reference point for all projects* from overseas"

March 14: "No doubt the government will cut out the 25 per cent requirement on overseas investment in New Zealand companies. Will it actively encourage overseas investment apart from the recent negotiations with Germany? Will it break down the bureaucratic morass which requires independent discussions and approvals from 11 departments and authorities?"

March 21: (referring to PM Muldoon's "hot blast of reality" which hits his chart) "Within three months the cabinet would set out publicly and in considerable detail, its strategy, as a comprehensive statement. That would be taking the people along with it. That would allow people to see where their politicians and administrators were intending to take them. That would allow decision makers in all commercial enterprises to have a base from which to make their decisions. Such a development would open up the statement for comment by those who have to live with the policies ie the public."

The fourth aspect of the development debate is the Energy Council's options on the use of energy released last week. There have been a strong criticism of the council's waffling documents in the past, but at least this time, set out alternatives, with price tags. One could question the tea's rounding out a proposal to an exact $3.453 million, but that is a minor point.

Taken altogether, the four points mentioned show that at least we might be getting somewhere in a sensible, planned approach to our future, which the public will get to see before ... that future foisted upon it.

Stock and station giants consider economy with caution

by Peter V O'Brien

THE major stock and station groups held their annual meetings in the last week of October, and drew their usual attention from the sharemarket.

The pastoral base of the New Zealand economy makes the current assessments from these groups part of the analytical "inputs" for market observers.

The general impression from statements of the "big three" – Challenge Corporation, Dalgety New Zealand, and Crown Consolidated – is a reasonably profitable first quarter, a good year for farmers, including the next nine months, and considerable caution about the general state of the economy.

The main worry seems to be the cost of money, a worry which is unlikely to ease in the period through to mid 1980 *(see article on Page 12)*

Challenge Corporation chairman Ron Trotter referred obliquely *to interest rates in his* comments on the private sale of wool outside the auction system. "With current high interest rates, an increasing number of farmers are not prepared to wait and have been selling their wool privately to dealers. . . ."

Dalgety chairman Lyn Papps was, as usual, forthright in his comment: "The farmer will not be without problems, in view of further projected rises in farm input costs, restrictions on the use and increased prices of fuel oils which could materially impede farm development and severe competition for finance at reasonable rates".

INVESTOR INSIGHT

COMPANY	PRICE	1979 HIGH	1979 LOW	DIV YIELD
Allied Farmers	235	280	220	[illegible]
CFCA	195	205	170	[illegible]
Challenge	222	233	176	[illegible]
Crown	210	265	203	[illegible]
Dalgety	200	222	197	[illegible]
HB Farmers	213	230	160	[illegible]
JF Watson	238	255	170	[illegible]
NZFCo-op	102	112	81	[illegible]
Reid Farmers	250	255	235	[illegible]

Rod Weir of Crown Consolidated took a similar line through a reference to the effects of inflation: "Our greatest continuing problem is inflation with its ravaging effects on cost and liquidity. There seems to be no end in sight to the spiral and I see as a danger the possibility of acceptance of the attitude that double figure inflation is here to stay and that we must all learn to live with it . . ."

"Meanwhile liquidity is under stress, and for companies like ours the high replacement cost of trading stocks is a significant contributory factor to this problem". Weir also referred to interest rates when answering farmer criticism of stock and station companies commission charges for livestock and wool. He said that high interest rates affected Crown's results in the commission sale of livestock section of the business.

The companies are likely to feel increasing pressure on their farm finance activities over the rest of the year, as liquidity tightens in the economy, interest rates remain at present levels and tax requirements come due in March. The Ministry of Agriculture and Fisheries reported recently **(Current Agricultural Situation Report)** that: "In some financial circles the mood of farmers is described as 'over confident' and there is little evidence to suggest that farmers are looking ahead to March when tax payments come due".

The report also said that the increase in credit from financial institutions to farmers will not all go towards growth. "Significant proportions will be taken up through increased costs and the financing of much higher valued livestock".

The last point has the usual paradox. The higher valued livestock internally results from improved export markets. They received another boost last week with the announcement that the Soviet Union is to buy 5000 tonnes of mutton for shipment by December.

Sales to that market occur regualrly, but apparently not so early in the season. The price of 102.75 cents a kilo is considered good, given the recent slide in mutton prices.

When coupled with the Iranian deal on lamb, such developments, plus the overall improved market should maintain livestock prices, and help the stock and station companies commission income this season.

The sharemarket anticipated good results in the year ended June, 1979, and pushed share prices up steadily since January.

Consequently, much of the profit improvement had been discounted when it was announced. In addition, there has *been a future discount in some* cases, particularly Challenge.

That company's movement into the Tasman Pulp and Paper Co (considered a growth area in the 1980s) and its increasing attention to energy development persuaded the market that the group has several good years ahead of it.

Disinvestment from ... rights did the stock no harm.

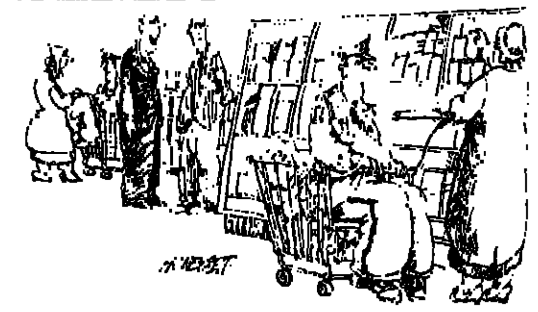
The sharemarket is giving companies moderate dividend yields, in line with the overall ... of the market and the ... competing investments.

Many dividend payments substantially tax-free ... companies warn that the running down reserves ... be used for tax free divid...

The table shows the ... the main companies last ...

There may be room for ... price improvement if ... *sults for the first quarter* ... carried through to the rest of the year, when stock and station companies earn the bulk ... income.

Note: The writer neither ... has a beneficial interest ... shares of any stock and ... company.



"We've managed to cut down on our trolley thefts . . ."

Finance News

FINANCE Minister Rob Muldoon announced a new issue of New Zealand savings stock with an interest rate of 11.5 per cent, to open today and close on December 7. The savings stock interest rate offered is 0.5 per cent higher than the 11 per cent in the two previous issues. The new stock will mature on October 15, 1984, but may be redeemed at one month's notice at any time after the offer closes.

Company News

TRANS-ASHBURTON LTD announced an audited tax-paid profit of $54,657 in the year to June (*down on last year's $71,804*). A final dividend of 2.5c (5 per cent) is payable November 30, ex November 22 (an unchanged 5c for the year).

PHILLIPS AND IMPEY LTD reported an unaudited group net income of $1,019,248 for the year to August 31, an improvement of 56 per cent on 1977-78 earnings. Directors recommend the final dividend be increased from 5c to 5.5c (11 per cent) payable December 11, ex November 21. That will make a total of 9.25c (1978, 8.75).

THE WEEK

MONTANA WINES LTD intends exporting wine valued at more than $500,000 in the present financial year.

TNL's profit for the year to June 30 increased 21 per cent to $3,173,000. Industrial strife in the transport industry and a fall in Australian tourist numbers in the last quarter helped drag down the result.

DIC LTD recorded a net tax-paid profit of $976,411 in the year to July 31, more than double that of the previous year. A final dividend of 8 cents is recommended, with the 7 cent interim, this makes a 2½c increase on last year.

RADIO AVON LTD, the Christchurch private radio station reported an 8 per cent increase in net profit to $119,500, for the six months to September 30. It proposes a 25 per cent interim on the 25c par value shares (compared with last year's 15 per cent interim).

BRAMBLE BURNETT LTD recovered its profit by 40 per cent in the year to June 30, but chairman Noel Barclay expressed di*sappointment at the return on* funds of 9.7 per cent

EBBETT WAIKATO LTD, the Hamilton General Motors car dealer, reported a net profit of $201,526 (1978 profit: $160,646). The tax provision rose from $6250 to $155,213, and a steady 12 per cent dividend is recommended. The earning rate of 25.2 per cent covers the dividend 2.1 times.

HAURAKI ENTERPRISES LTD effectively doubles its interim dividend after a 42.1 per cent jump in unaudited tax-paid profit to $344, 916 in the half-year to September 30. The directors have declared a 1.5c higher interim payment of 4c (16 per cent) payable December 17, ex-November 26.

WITH the move to Monday publication of National Business Review instead of Wednesday publication, we have been obliged to reconsider the preparation of a weekly sharemarket page.

The publishers have been conscious of inadequacies in the page and are reviewing the presentation of sharemarket statistics.

What is intended is to provide, on a more regular basis, key statistics and indicators including share price data, but it may be that there is little point in running all share prices if the information is inaccurate or too dated.

This page will be re-developed over the next few weeks with the intention of providing readers with more useful and timely data.

Building Permits

PERMITS authorising the construction of 1315 new houses and flats with a value of $37.8 million were issued in July 1979, a decrease of 18 per cent in number over July 1978 and a decrease of 6 per cent in value. The figure brings the number of dwelling units authorised for the 12 months ended July 1979 to 17,760.

Manufacturing Statistics

THE Department of Statistics survey of manufacturing main indicators show that for the June 1979 quarter, as compared with the corresponding 1978 quarter, manufacturers' sales were 22.1 per cent higher. Purchases increased by 28.6 per cent, salaries and wages by 17.6 per cent, other operating expenses by 14.5 per cent, gross capital expenditure by 9.6 per cent, and hours worked by 2.6 per cent. As at June 30 1979 stocks of materials were 12.7 per cent higher and finished goods 12.0 per cent higher than at June 30 1978.

Exchange Rates

Exchange rates as at 1 November 1979

Australia	.8787
Britain	.4645
Canada	1.1435
Fiji	.8220
Japan	226.83
West Germany	1.7242
USA	.8640
Austria	12.45
Belgium	27.9
China	1.4628
Denmark	5.1036
France	4.0492
Greece	35.86
Hong Kong	4.8085
India	7.9351
Italy	798.63
Malaysia	2.0168
Netherlands	1.9205
Norway	4.7937
Pakistan	9.3191
Papua-New Guinea	On application
Portugal	48.57
Singapore	2.0965
South Africa	.7958
Spain	63.6
Sri Lanka	On application
Sweden	4.0847
Switzerland	2.5824
Western Samoa	.8853

Continued from Page 1

increased by about $3.50 a cubic metre.

Other than the ridiculously low price, what concerns the Forest Service most about the present agreement is that apparently it has no provision to enforce Tasman to take appreciable quantities of slower growing species such as ponderosa pine.

The longer the delay in converting areas from ponderosa to radiata pine, the greater the prospect of a shortage of timber in the next 10 to 15 years.

One complication in the negotiations no doubt will be the role Tasman's own forests play.

Starting in 1962, Tasman has been planting between 800 hectares and 1800 hectares a year of radiata pine on land near Kawerau.

Thinnings from these forests are yielding only 2 per cent of Tasman's wood requirements, but from 1982, when clearfelling can start, more than 25 per cent of its raw material can come from this source.

Within 10 years, almost half of Tasman's wood will come from its own forests. (See graph).

The problem is that Tasman shares ownership in Tarawera forest with Maori landowners.

The price Tasman pays the owners is dependent on what it pays for the remaining wood purchased from the Forest Service, plus a premium for closer location.

The Forest Service will be under pressure not to subsidise Tasman's wood supply, thus reducing the dividend to the Maori landowners of Tarawera forest.

Tasman possibly will be struggling to maintain its relationship with the Maoris, anyway, as there appear to be several anomalies in the *original agreement*.

In apportioning shareholding based on the original land ownership, the cost of clearing the land of indigenous vegetation ready for planting was subtracted from its assessed value.

But since such clearance occurs only once, the Maoris shareholding has been severely reduced for all subsequent rotations.

The Forest Service no doubt will be insisting that Tasman stops thinning its forests and instead gets on with the job of clear felling them, thus releasing state wood at a time when it could be in short supply.

The Forest Service stands to make far more from exporting such wood as logs than in selling to Tasman, even at $15 a cubic metre though a spokesman from the marketing division of the Forest Service said there has been no suggestion of this.

Altogether, prospects for Tasman don't look bright.

The Comalco contract was rewritten in mid-term under threat of legislation but the Forest Service has waited patiently for its agreement to expire.

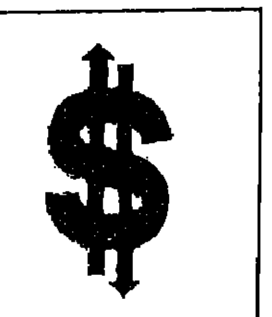
Massive increases in the cost of raw material purchased from the Forest Service appear inevitable. Increasing interest in issues of Maori land look set to cause Tasman just as many headaches.

Gundelach's diplomacy slow torture for NZ

IN our February 7 issue, our Economics Correspondent wrote an open letter to Finn Olaf Gundelach, the European Economic Community Commissioner for Agriculture.

The letter was a plea for the hard news about access to the EEC before the costs of finding new export markets or products become too great.

Nearly 10 months later, the EEC is on the brink of making some decisions about the New Zealand lamb and butter. And this further correspondence with Gundelach, a case is made for replacing diplomacy with business-like decisions.



THE ECONOMY

Dear Mr Gundelach,

Brian Talboys, the Minister of Overseas Trade, is off to Europe this month to convince you and the Ministers of the EEC that New Zealand deserves a special place in the common market. In particular, he wants the EEC to guarantee that there will be continued favourable access for New Zealand butter and lamb.

When you visited New Zealand in May this year, you diplomatically sidestepped the issue of quotas. After firmly stating that the much-criticised common agricultural policy (CAP) is here to stay, you softened the blow by adding that the policy is open to adaptation and new realities.

But at that time, you would not commit yourself to what these new realities will mean for New Zealand. You blithely dismissed worries about our continued access by reporting that the Ministers of the EEC were under pressure to find a rapid solution to the butter problem and that some imports of New Zealand lamb would continue to be needed and might even expand in the longer term.

You also underlined the special relationship between New Zealand and Europe. Apparently you spend more time on New Zealand affairs than on any other country involved with the EEC, including the United States. This special relationship is not just a matter of benevolence, but is based on a convergence of interest.

Then in June, soon after your visit to New Zealand, CAP imposed a high levy on New Zealand butter exports to England. New Zealand's Anchor brand was forced to sell at tuppence more than butter sold by its subsidised European competitors. Interestingly, the pence-conscious British showed some brand loyalty (butter is butter, after all but Anchor is better butter) and some sales were made despite the higher price.

But overall, sales of Anchor butter fell by a third during the first half of this year. And New Zealand has added another 20,000 tonnes to the 300,000 tonne EEC butter mountain so far this year.

With friends like you, we don't need enemies. First you arrive in May to butter up the Government, asking it to be understanding about the problems of the EEC's common agricultural policy. Less than a month later, CAP policies slice into New Zealand's butter sales.

Your diplomacy is akin to slowly torturing the New Zealand economy to a standstill. For years New Zealand has preferred the security of dealing with our friends, the British, to the unknowns of finding new markets and new products.

In many ways the British have benefited as much as New Zealand from this relationship. Our farmers have a comparative advantage and produce at prices below those paid to British farmers. It might have been possible to get higher prices for our agricultural products on other markets.

And, of course, it would be helpful if New Zealand could negotiate some stable access for butter and lamb in Europe. This would provide a base for us to develop new markets, if the new markets want to buy mainly agricultural products.

But while secure markets provide a base for developing new markets for our traditional agricultural exports they also blunt our interest in looking for new markets. Talboys, for example, spends a great deal of his time negotiating with the EEC for continuing access which could be spent discovering and negotiating for new markets.

If you really want to help New Zealand, it is time to face up to the hard economic facts. New Zealand can provide butter and lamb at prices below those paid EEC farmers. But CAP's priorities do not favour the European consumer, they favour your farmers.

And your farmers have built up stockpiles of butter which must be dumped and your continental farmers are resisting the importation of New Zealand lamb.

In short, as much as you would like to make New Zealand happy, you are in no position to do so at this time. If protecting your farmers has the intended result of making them more competitive, you probably will not need New Zealand dairy products in the future.

So, why continue to keep us on the hook? Why not take the opportunity of Talboy's visit to place him firmly in the picture about New Zealand's future with the EEC.

Naturally, it would be appreciated if you could provide some good news along with the bad. For example, the suggestion that the community cut its 20 per cent tariff if New Zealand is willing to restrict lamb supplies to around the present 220,000 tonne level is fair to all sides.

Of course, we would like to increase our lamb sales to the EEC, but this provides an incentive to develop the meat sales in Iran and elsewhere.

Recently, New Zealand negotiated a contract with Iran to sell 50,000 tonnes of lamb this year. A year ago, this sort of contract would not have seemed possible.

And it would be nice if New Zealand's butter quota could be tied to the whole European Community, rather than just to the British market as it now is. This way, New Zealand might be able to sell its full year's quota of 115,000 tonnes despite the levy on butter.

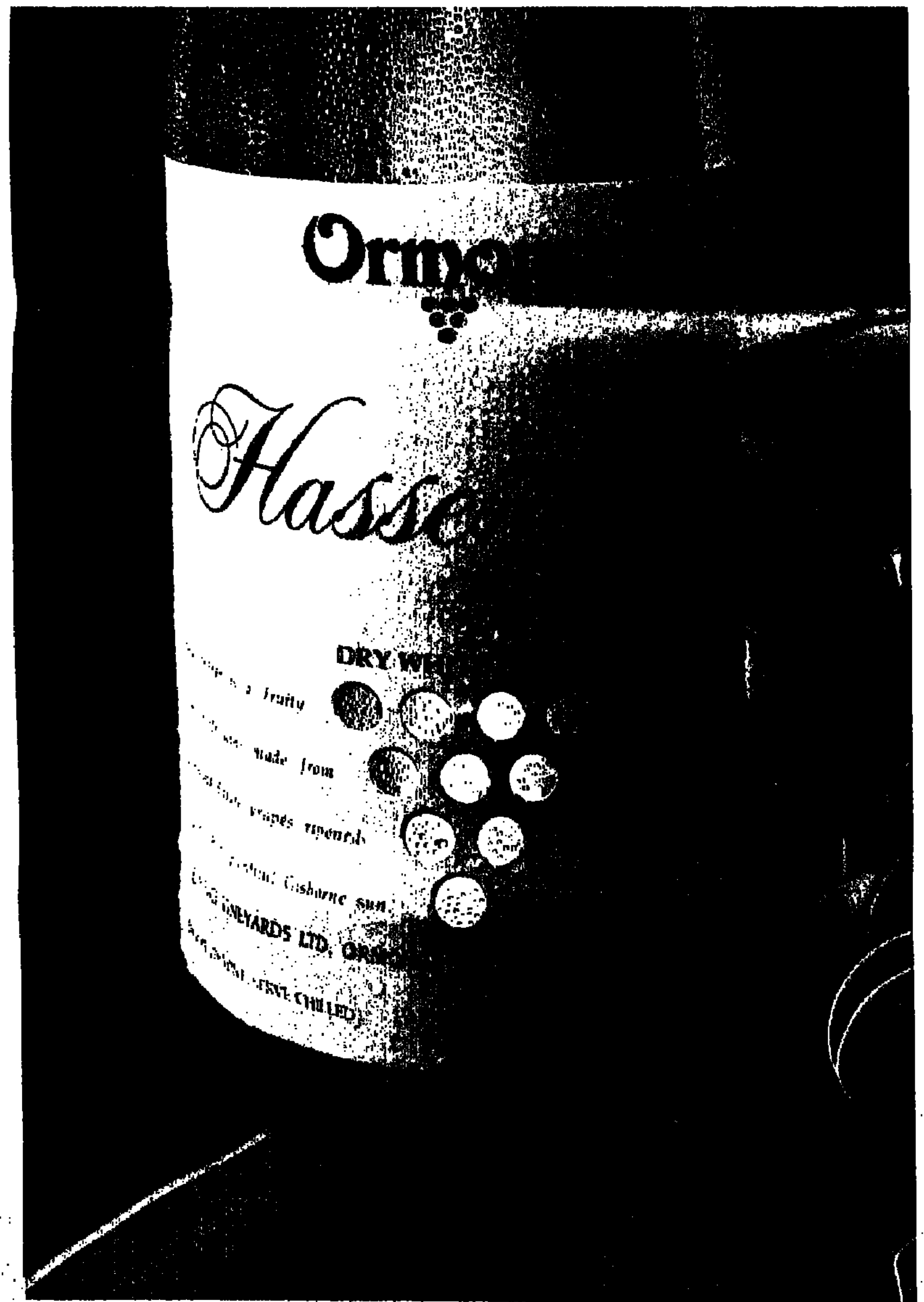
It would be even better if the levy on butter could be reduced. New Zealand's quota may be reduced from 120,000 tonnes this year because it was unable to sell that much butter when prices were forced up by levy increases.

But if these arrangements involve only a short term commitment from the EEC to New Zealand, it does not help New Zealand very much to imply that some better arrangement may be reached in the long run. All year the Government has resisted taking strong economic decisions to guide the economy into the 1980s.

Lately, the Government's main concern has been to rush through a National Development bill so that it can be seen to be doing something about the economy before the next election in 1981. But at the same time they are developing new technologies, they could be diversifying and expanding our agricultural base.

Mr Gundelach, you could do a great deal to help the Government progress in this direction.

Yours faithfully,
Economics Correspondent



Potential bad back rivalry pains physiotherapists

by Belinda Gillespie

IF chiropracters are given the status recommended by the recent inquiry Commission which investigated their activities, physiotherapists will be screaming with pain.

The commission suggested that health and compensation benefits should be available for chiropractic treatment.

It said also that the "medical ethics" which stop doctors referring patients to chiropracters are not in the public interest. Not only should chiropracters be accepted as partners in the general health care system — the public should also have the right to consult them direct.

Back problems — the chiropracters' specialty — have been a pain in the neck for the Accident Compensation Commission. In the six months to September last year, the commission paid out $2,561,295 on 7790 claims for back strains and sprains.

The bulk of treatment for back injuries under ACC is done by doctors or physiotherapists to whom patients are referred. Because of their "ethic" doctors won't refer patients to chiropracters, though if they did, their fees could be claimed under ACC.

The commission concluded that, to get around the medical profession's reluctance to use chiropracters, chiropractic treatment without medical referral should be included under ACC. Chiropracters could not generate any greater number of claims as this is established by the number of accidents that give rise to the claims, it said.

Chiropracters who treated accident cases would therefore be receiving less instead of, not as well as, doctors and physiotherapists treating them under the present system.

Because of the superior skills of chiropracters, the commission argues, there could be clear financial advantages, not additional cost, in giving them a full part to play in the accident compensation system.

But a number of physiotherapists made hay under accident compensation, until the ACC tightened up its requirements for treatment earlier this year. Chiropracters who were allowed to treat accident victims without a doctor's referral might be equally tempted to abuse the system.

In May, ACC chairman Ken Sandford said it was necessary to exercise "greater surveillance" over the fees of physiotherapists.

In 12 months one physiotherapist had received over $100,000 from the ACC (though this sum in fact included Health Department contributions as well), and five had received over $70,000.

Sandford questioned whether this was "the appropriate financial level" of physiotherapists within the community, and said that the ACC had imposed a "prudent business restraint" (a maximum of $4) on the share it would pay of the physiotherapist's fee.

Last financial year physiotherapy services cost the ACC $48 million, compared with only $852,000 in the year ending March 1975.

In a letter to doctors and physiotherapists of May 1, the ACC set out its measures to try and control the rocketing expenditure.

Previously, a medical referral gave physiotherapists carte blanche on the number of treatments they could give. The ACC, from this date, declined to pay for more than 10 treatments without a further written referral. It also declined to accept as reasonable a fee more than $4 an individual service, unless special approval was given for a higher charge.

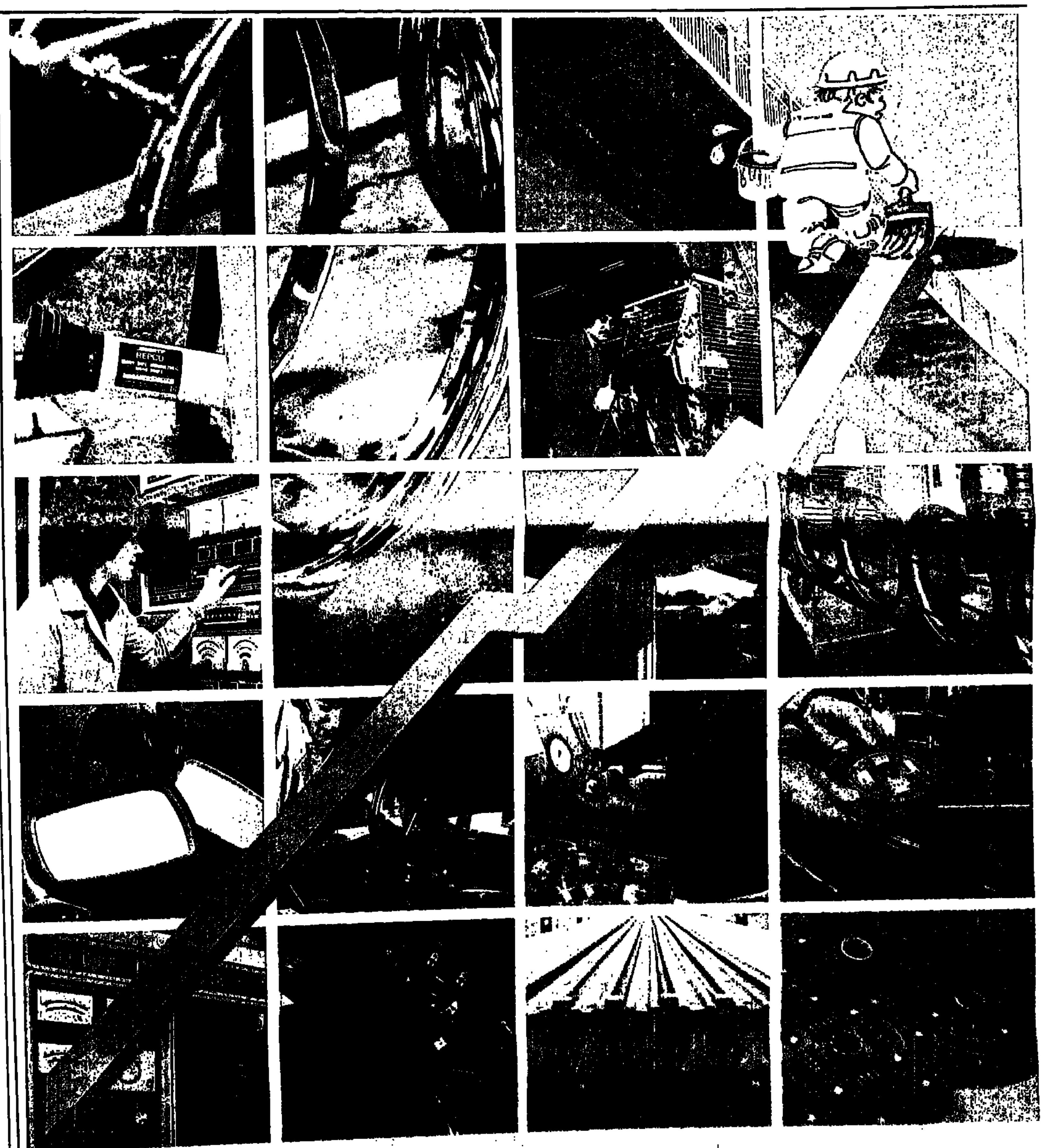
The limits were set after a statistical survey showed that the New Zealand averages were a fee of $3.89, and a total of seven treatments in each course.

Although the New Zealand Private Physiotherapists Association waxed indignant at the new restrictions and particularly disliked the new referral form devised by the ACC, there was some medical support for the above.

A wellington specialist, Blair Treadwell, wrote that was "disturbed when patients present unrelieved, after protracted periods of private physiotherapy". In some cases this had amounted to daily attendance for six months, whereas in his view, physiotherapy which did not produce improvement in 15 treatments was "unlikely to be helpful and should be abandoned".

"It is regrettable that there are a small minority of private physiotherapists who persist with unproductive treatments for prolonged periods at great cost to the community and inconvenience to the patient," he said.

Furthermore, it seems likely that multi-million dollar bad back business would be lost to doctors and physiotherapists for good, while the chiropracters, as they say, would be on the pig's back.



Kommercials are Kulture

JONATHAN Price is an American academic, theatre critic and video artist who claims that commercials are the "closest thing to video art on television."

His book, "The best thing on TV: Commercials" reflects his deep interest in the art form and the problems and technicalities of production rather than in the commercial effectiveness of the finished product.

Surprisingly, this book is directed at the general public, not the professional advertising man.

On first impression, it doesn't seem to be a subject for the layman but considering the tremendous audience exposed to television advertising in United States and Canada, where it was published last year, even a small degree of interest would provide a large market for a book on this subject.

"Commercials," writes Price, "represent the pinnacle of our popular culture's artistic expression. More money goes into their making, more cash flows from their impact, more business thinking goes into each word than in any movie, opera, stage play or videotape.

"If commercials are artful, then the art is objective not subjective; capitalist not rebellious; part of a social activity rather than a search for expression; more like a Roman road than a lyric poem. Their beauty is economic."

Part of the intrigue of the book lies in the examples of commercials which stud the text, many of them award-winners and, of course, old friends as far as the American audience is concerned.

Price takes his reader on the set to show how and why some of these extraordinary commercials were made and the result is akin to revealing a professional magician's best tricks.

For this reason the book lacks local appeal in this market except, perhaps, for the sociologist who wants to see how the psychological wheels turn.

But for the professional adman, the book will be of absorbing interest.

To start with, he will probably have seen many of the commercials on Clio and

ADMARK

other demonstration reels and will have at least a passing familiarity with the subject of commercials.

Then the author covers those areas which are pertinent and applicable to the production of commercials everywhere.

Local producers will be interested to discover in the chapter headed "Almost obscene" that local censorship laws are more liberal in certain respects than those which apply in USA.

Men never put on underwear in American TV commercials nor women wear bras.

The role of emotion in selling has a tear-sprinkled chapter to itself.

There is a useful discussion on testimonial advertising with Sir Laurence Olivier priced at $500,000 per annum; the costs of production come under review (exceptional commercials can run past $250,000); and the subject of advertising to children is a fascinating hodge-podge of truth and hypocrisy in conflict.

Some important backgrounding is found in the gut-felt views of various American creative people which have been assiduously chronicled by Price.

"The buzz word today is hard sell," he quotes Jerry Della Femina as saying. "You may hate those ads, and I may hate those ads, but the point is they work. They sell."

This is a slightly condensed quote from Walter Taplin. "Anyone who wishes to tell anyone about goods and services which may help him to spend his life in a fuller or more pleasant manner automatically goes far beyond the sphere of information.

"He is dealing with vague wants, unformed desires, and with an infinite field of alternatives, not one of which is essential.

"What is the good of providing facts about wine to a man who has never tasted it?

"The litre measure, alcoholic content, country of origin and price mean little to him.

"Even when he has tasted it, he may not like it. In fact, most of the things we want are not material but mental. We want states of mind.

"The advertiser, beginning with a material object which is to be sold, suggests the states of mind which may be achieved by the purchaser."

Carl Wrighter on ideas. "Given a good idea, words and pictures become almost secondary in importance.

"They are used simply to convey the idea. A good idea can stand on its own. Why is a good idea so hard to find?

"First, because it must say something new and different about the product or something about the product in a new and different way.

"Second, because it must say something about you that's new and different or it must offer you a new and different point of view.

"It must be emotional in appeal, yet it must have a basic logic to it in order to make sense. And that's it."

And from George Lois, creative star. "I've never done commercials that didn't have words in them.

"I'll say the name of a product eight times. I'm working on a thirty-second commercial for a new magazine and I say the name of the magazine seventeen times in those 30 seconds.

"I design my commercials so I keep coming at you. Guys who design commercials where you don't hear, I think they're crazy.

"You know what a second costs on TV — two to four thousand dollars; you're not going to piss it away. I don't need mood to get you into it."

Definitely not a book for the library shelf but one to be read by every guy and gal in creative.

"The best thing on TV; Commercials" by Jonathan Price. Published by Penguin Books 1978 in the United States of America and Canada.

Children survive TV ad

FOLLOWING on the discussion on the effects of television advertising on children (Admark, October 24), we have received a copy of a research report by SSCB; Lintas, Australia, entitled, "Is TV turning your child into a zombie?".

A particular value of this report is that the research was conducted with children and represents their view rather than what adults believe the views of children to be.

From the section dealing with children and television commercials: "Commercials do have a role to play — children use them as a means of knowing what is available for them to buy.

"But, commercials are only one of the ways that these children learn about products, they also find out about them from friends, by looking in the shops and from school.

"Children say they love to try new products, particularly those within the buying realms of their pocket money and commercials tell them about new products — it can be said that it is encouraging experimentation.

"For example, children talk about wanting to try new products. They say it's good fun and exciting to buy a new lolly or ice-cream but they also like to go back to the ones they know.

"Children appear to look on the announcement via television of a new product to be just as important to them as adults do for a new model car.

"Listening to these children makes it apparent that they are discerning, even at an early age — in some ways more so than adult consumers.

"If the product that is being advertised is disappointing — either in size or shape, for example, or if the taste is not acceptable — children will not buy it again.

"The most persuasive form of advertising amongst children and adults for that matter is word-of-mouth. A product must live up to its promise from advertising or it will be rejected by this age group."

CHILDREN ... discernment in learning consumer behaviour

From the summary:

"There is a wealth of evidence, both empirical and observational, that suggests that parents are a far greater health hazard to children than things like television, films and radio. Television advertising, regarded by some, to be the most harmful aspect of all...needs to be put in perspective.

"The sales message is a basic part of our economic system. That goods are offered for sale by way of media advertising is a fact of life in a free enterprise society and, for better or worse, the child is going to encounter sales messages sooner or later and must learn to cope with them.

"It has been established that children spend a great deal of time with television (it's probable that most children spend more time with television than with all other media combined).

"By removing commercials from children's television an unreal world might be created for the child. Thus, children who are now protected from advertising appeals by an acquired cynicism by about age eight would have little opportunity to develop such sales immunity and selectivity until much later. As a result, over-protection could boomerang.

"Most accept that television advertising is an important source from which children learn consumer behaviour. In a sense, it helps socialise children into their future roles as consumers — another reality of our present social and economic system.

"It is also apparent that children recognise a commercial as such from a very young age and usually have learned to understand the purpose of commercials by the time they are seven or eight.

"They certainly appear to be far less gullible and more critical than popular opinion asserts.

"Surely, the best and fairest summation of this whole complex subject has been made by Dr Wilbur Schramm of Stanford University. In the study entitled, "Television and the Lives of our Children", he comes to this conclusion: 'For most children, under most conditions, most television is probably neither particularly harmful, nor particularly beneficial'."

Retailers exercise trading skills redefining 'discount'

by Don Bryant

OUTWARD signs are that there is quite a trend toward discounting in retailing. But to retailers themselves the word "discount" evokes thoughts of vaguely irritating approaches from trade unions, the drivers being the latest to give discounts to union members who produce membership books.

The irritation is qualified as vague because of the knowledge that among the few retailers who allow themselves to be drawn into the schemes, even fewer can recall a customer producing one of the books and asking for the discount.

This in turn discounts the value of the union's discount scheme. What point is there in being a party to a discount scheme if it doesn't produce much more in sales volume than it gives away in discounts?

To a large extent, retailer resistance to discount schemes in general defeats the union scheme's purpose.

The range of choice is still most important to a shopper, so what use is a list of retailers giving discounts if it is not long, comprehensive, and represented in every main shopping street?

Conversely, if the union's list was so complete, where would be the volume sales advantage for the shops listed?

The industry-wide discouragement of discounting however, does not necessarily apply to the sales gimmick of calling yourself a discount store.

Some retail operations which would be most miffed if anyone thought their operations fell into the discounter category, run subsidiary operations which they hope the buying public will regard as discount stores.

For example, in Wellington furniture retailer Radfords have as neighbour, the Bond Store, which appears to be a furniture discounter.

In fact it is a Radfords operation. It is a matter of definitions as to whether it is a discounter or a seller of cheaper furniture from cheaper manufacturers, while Radfords is a more up-market operation.

More identifiable is a menswear and womenswear operation which has moved into the old Air New Zealand premises in Wellington's Featherston Street. It is a discounter all right, selling off discontinued lines, broken ranges etc.

It's different from some of the seedier operators in this type of retailing because of its smart, even eye-catching decor. It is a joint Carter's Fashion Village - Peter Jackson venture.

L V Martin and Son are discounters, of a sort, too. They don't discount big-ticket items, certainly not TVs, or the big whiteware appliances, but generally they have a discounted-price policy for brown goods, storewide.

This does not worry their fellow retailers, who in their espousal of free enterprise have always insisted that a trader must use his own trading skills.

Woolworths are sometimes regarded as discounters in certain areas—for example in brand-name power tools such as Black and Decker.

Again it all depends on what you mean by discounting. Woolworths, descendent of the five-and-dime, shilling store, or whatever, in fact still have the same old mark-up policy.

Only you can't really sell the old five-and-dime merchandise any more, even at 1979 prices. Small items, even at 25 or 30 cents, don't mean profits for variety stores at today's handling costs.

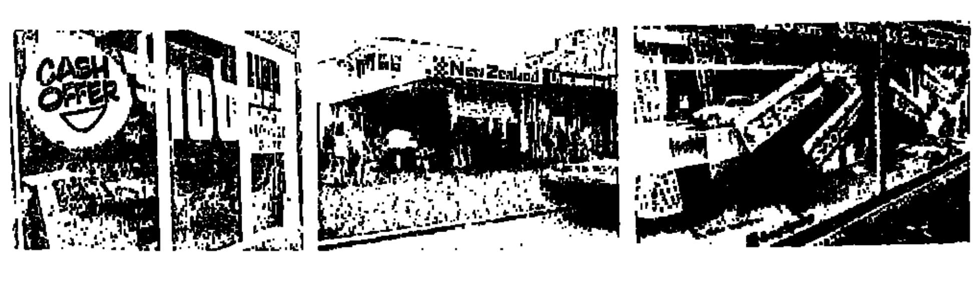
In other words you can't sell shoe laces, and pay the wages of the lady who refills the display stands, plus those of the cash-and-wrap operator, plus today's rents, rates, power bills etc, and still make a profit. You'd probably lose a few cents on every sale.

So a few years ago the merchandising policy had to change. Bigger-ticket items had to be the story. Hence power-tools at traditional Woolworths markups. Oh, and one other change. This is one time you don't just pick up the merchandise and march to cash-and-wrap point. You get someone to unchain it from the display.

It might be possible to call some furniture retailers discounters, in that they can reduce prices by operating from primitive, low-cost premises.

But again, it might be that many of them just sell lower-quality lines to achieve their lower prices.

There are others who merely say in a general way in their advertisements that their prices are cheaper — when they aren't. Anyone calling such operators discounters is really misapplying the term.



Retailers take cautious approach to Christmas

by Belinda Gillespie

THE Australians are going to spend up large this Christmas. Hard times or not, retailers there are expecting a bonanza.

That's the word from across the Tasman, where the pubs are booked out for Christmas, jewellery is selling like hot cakes, and sales of caravans and power boats are looking up after two sluggish seasons.

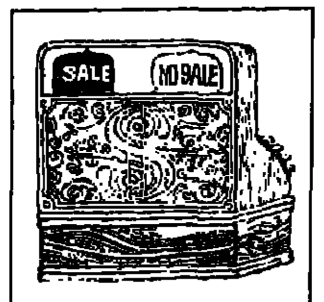
On the home front, the boom is likely to be more muted.

Reductions in income tax, *double family benefit and the* big back pay for the Public Service, should have been enough to get New Zealanders throwing their money around the market-place.

But there has been no big splash, and retailers are *counting on a Christmas* season no better than last year.

Christmas starts on December 1 here, declares Alan Mayne, Woolworths' Wellington regional manager and it's always good for business.

From August on, people start putting toys on layby, and



WINDOW ON RETAILING

Christmas cards begin to sell in the week before overseas mailings close.

Woolworths experienced no splash in sales after the big public service backpay — *Government employees may* have been made cautious by the PSIS collapse.

But there's plenty of money about, and Mayne is certain that the shops will see it in the end.

Kirkcaldie and Stains Ltd, a Wellington department store in the expensive bracket, has bigger expectations than last year.

Kirkcaldie's clients, claims managing-director John Barr, are "discriminatory" buyers who don't throw around their money.

He wasn't surprised, therefore, when there were no signs of a big splurge after the back-pay.

But at this stage he is confident of a good Christmas, with the pattern of retail buying much the same as previous years.

Farmers Trading Co had one of its best Christmases in 1978, and hopes to equal it this year.

Sales volumes in real terms meet last years levels, says Farmers general manager A T M (Tas) Williamson, but *September wasn't as good as* 1978, and October sales are down.

Sales of major home appliances and colour televisions — the segment most sensitive to the economic climate — have slowed.

But all indications are that wage and salary earners, with extra money in their pockets, will spend at least as much as usual.

Speaking for the industry as a whole, Retailers Federation Barrie Purdie will be surprised if Christmas is not a record, even taking inflation into account.

The "depressed" atmosphere of 12 months back has vanished; there are reasonable stocks of merchandise on hand, and public servants in particular have a fair lump to spend between now and Christmas.

There is nothing to show that people are about to embark on a wild spending spree.

The statistics don't lie, and the figures for small savings show that many people are *squirrelling away their money*.

In the April-June figure for this year, $2289 million was saved, compared with $1699.2 million for the same period last year.

Spending last year was actually down $4 a head on 1976, Purdie pointed out, and the situation is even worse when the decline in population is taken into account.

Frederick Frost, retail manager of the PSIS, agrees that the bankers, not the retailers, were the ones to see the colour of the public service back-pay.

But business generally has been buoyant since the major pay-out was made, with a more even spread of trade than after previous back-pays, which have been followed by a sharp increase in spending.

Present trends suggest that Christmas 1979 will be very good, says Frost — and the PSIS could do with a good one.

Pique among the public service clientele after the rebate variations of November last year made Christmas 1978 one that PSIS stores would prefer to forget.

Seasonal sales begin an upward turn

TOYS give an early indication of how business is shaping up for Christmas, and wholesalers and retailers report that sales are picking up.

"With the amount of money in the market we can't go wrong," according to Dixon MacMillan, of Toyworld, a cooperative which supplies 54 retailers throughout New Zealand.

Electronic toys? The craze hasn't hit New Zealand yet.

"We're 18 months behind the Australian market—anyway the duty's so high it's prohibitive," MacMillan said.

C C Toop and Co, an importing offshoot of LD Nathan, reports an increasing demand for the more sophisticated and educational type of toys, and a "terrific demand" for the few electronic toys that do come in.

Jewellery, regarded as a hedge against inflation, has benefited in sales terms both from the ballooning economy and the jump in gold and silver prices.

With business good but not extraordinary and stock in hand increasing in value, jewellers are looking forward to Christmas with some optimism.

Graham Brown, vice-president of the New Zealand Jewellers' Association, said there had been a mild rush on gold jewellery after the first big jump in gold prices, but sales were now back to normal.

From "doom and despair" at the beginning of the year, retailers' confidence had been restored by a year's good trading.

On the other hand, the prospect of replacing stock in the New Year will present the trade with severe liquidity problems.

Leaping gold prices mean replacement costs will be phenomenal.

On the wholesale side jewellers report a swing away from cheap trinkets to quality jewellery, with sales of semi-precious stones like garnets and amethysts going well.

Trade has been buoyant all year, despite earlier pessimism and a couple of slow months in June and July. But the Christmas trend hasn't started yet.

Silver is where the action is, according to Trevor Scott, of Silvermine.

The price of silver has trebled in the last year, and the market for silver jewellery "has gone mad".

His company manufactures for jewellers all over New Zealand, as well as its own outlets, and is beefing up production for the expected heavy demand at Christmas.

Gold and silver dealers have restricted sales of bullion to manufacturers since the price rises—import licences are issued on the basis of value not weight, so the quantities coming into the country have gone down, and the trade faces shortages in both metals, even though speculators have been kept out of the market.

Vacationers rush into holiday bookings

by Belinda Gillespie

PEOPLE can always find money for *holidays*—that's the philosophy at Flag Inns, where business is picking up rapidly and most motels are booked out for Christmas.

After a lull in Australian bookings following the period of cut-price fares across the Tasman, travel to *Australia* is picking up again, and Flag is squeezing tourists in to the remaining accommodation.

Other hotels and motels report an "average" Christmas so far, with bookings about the same as last year both for accommodation and dining.

The Government Tourist Bureau says "same as last year" for accommodation and travel, while Air New Zealand reports that business is "very *healthy*", particularly in international traffic to Britain, Australia and the Pacific in December and January.

There is still plenty of space on domestic flights, but this is normal—people generally finalise about four weeks before their departure dates.

Lion Breweries is worried about beer, but otherwise expects a happy Christmas.

"As manufacturers", says P R man Des Fitzgerald, "we expect beer sales this Christmas to remain stagnant".

Beer drinking has declined about 4 per cent in each of the last two years.

The reasons are economic—the beer drinker is the first to get affected by price rises which don't hit the well-heeled wine buff. And the high tax on beer mean it's becoming *relatively* cheaper to drink wine.

But Lion graphs for accommodation are showing an upward trend, and sales of liquor and food are improving in dollar terms.

Bottle store and lounge bar sales are down, while wholesale liquor, public bar and restaurant turnover have *improved*.

Retail liquor merchants report improving sales, following a deathly hush in the post-Budget period. Like others in the retail trade, they have seen no signs of the Public Service back-pay, but

BEER SALES...tipped to remain stagnant

are hopeful that people will put their hands in their pockets as the festive season approaches.

The only gloomy note for a Christmas regarded with quiet optimism by other traders comes from caravan land.

Holiday-makers will be toasting the new decade in wine from their *motel units*, while those who celebrate with beer in caravans will be against the trend—such is the effect of the sales taxes.

Evidence of the caravan industry's troubles is writ *large in the registration* figures—202 and 169 new registrations in August and September this year, compared with 403 and 566 in the same months of 1978.

While a total of 800 units was registered last December, the industry's expectations are no more than two or three hundred this year.

As well as the sales tax, slow government answers to the questions of whether petrol restrictions and carless days will be modified over the holiday period are blamed for flagging interest in caravanning.

A cloud over caravans could mean a silver lining for tents. The retailers are expecting a boom in sales of camping gear, as people move out of caravans and under canvas. At this stage gear is only just starting to move, and traders are keeping their fingers crossed that their hopes will be fulfilled.

Plastics firm wins industry accolade

by John Draper

A SPECTACULAR thirteen fold increase in exports in four years is making Feilding based Wrightcel NZ Ltd, the toast of the plastics industry.

And if the toasting wine is drawn from a pack then it is almost certain to be in a Wrightcel product.

Laminating plastic is the firm's speciality, originally for cheese, more recently for wine and now for anything needing a leak proof container — from liquid detergent sachets to fruit juice.

In the early 1960s managing director Les Evans set up Wrightcel's Feilding plant to manufacture wrapping for bread and rindless cheese.

A country town with a stable and available workforce near the geographical centre of the firm's main customers was a deliberate choice. Feilding has benefited since, with 79 workers now employed at the factory.

Despite Evans claims to being the world's worst salesman, the company has succeeded. It quickly cornered 85 per cent of the rindless *cheese wrapping market and* half the bread wrappers.

Advancing technology however, turned the cheese wrapping business sour.

"We fell out because our wrappings had to be manually applied and were becoming uncompetitive with other methods," Evans said.

Production stopped. Bread wrappers, never a big profit maker, were also thrown out for being too stale.

Two years ago, Wrightcel's Australian associate was having problems with plastic wine packs. Wrightcel took the product, improved it and is now winning big export orders from across the Tasman for it.

The secret is a three walled laminated plastic container.

Production manager Don Kline claims the packs are less leakproof than traditional glass bottles. Two in every hundred are tested to destruction to make sure the company's reputation for a maximum failure rate of .03 per cent is maintained.

The carton market is big, 14 million a year in Australia and 1.5 million locally. There are two sizes — the retail six bottle pack and a 20 litre pack for the hotel and restaurant trade.

In Australia, Kline says wine drinking has already drunk beer under the table and he claims the Kiwi beer drinking image will soon suffer a similar fate. It will all be good business for Wrightcel, though it is not alone in the market.

But Evans lays claim to *being the best.*

"We do not sell," he said. "We do not aim to be the cheapest in the market. We will perform and give satisfaction and in the long run we will be the cheapest."

And Wrightcel's reputation for being the best is winning it export orders for another product, wine pack taps. The taps are moulded under licence from London-based Waddington and Duval Ltd and are an important part of the pack.

It has to be airproof to stop the wine going off — part of the selling power of the wine pack is its ability to keep for up to six months under refrigeration once tapped. Taps *must* also be designed to make sure wine cannot be trapped and exposed to air when turned off.

The Waddington-Duval tap as perfected by Wrightcel fulfills both requirements. The Feilding firm is now supplying the original maker.

And for its remarkable export successes the firm, which is ultimately a subsidiary of British Chemical giant, Courtalds, was awarded the Plastics Institute's Export Award.

For the year to May 1980 the firm already has export orders worth $1,289,000.

Building societies seek Reserve Bank backing

Melbourne Correspondent

ACCORDING to the auditors of Melbourne's Eastern Suburbs Building Society it has lost $A686,000 in the last three years through financial mismanagement.

Undoubtedly their report will strengthen the case of those who have long advocated greater regulation of Australia's permanent building societies.

Critics argue that they can hardly be described as well regulated, when one prominent building society has to be protected from a run by a State Premier of South Australia with a loud hailer, and another in NSW is threatened by the compere of a radio talkback programme.

Earlier this year a Sydney radio station broadcast a rumour that a leading Australian building society was about to collapse. In the panic run induced by the broadcast, investors withdrew $A14 million from the St George Building Society — the second largest in NSW.

It had assets of $A800 million, a statutory profit reserve of $A15 million, and $A200 million liquidity.

Nonetheless the announcement that a major building society was "going to go bust" sent hundreds of investors into the society's branch offices in Sydney to withdraw their savings.

The run was only brought to an end by the hurried personal appearance of the NSW Premier, Neville Wran, at the society's headquarters.

The nervous haste with which he came to the rescue of St George may well have been stimulated by the collapse in 1977, of the Queensland Permanent Building Society.

The 140,000 small investors saving with the society, which held $A150 million of the public's savings, were stunned by a sudden announcement that the society could not pay its bills.

At the time the Queensland Treasurer said that a series of Parliamentary remarks had caused an $A18 million run on the Queensland Permanent.

THE AUSTRALIANS

The run had so eroded its liquidity that a liquidator had been appointed. The collapse of the Queensland Permanent was the biggest failure of an Australian savings institution in modern history, and underlined the frail liquidity base on which some societies have built.

Following talks between the Federal and State Governments arrangements were made for the Reserve Bank to make available $A150 million to fully match demands for withdrawal of depositors' funds.

It was the first time the Reserve Bank had publicly given direct open support to a building society faced with a run. However it is believed that the Reserve Bank had given secret support, some years ago, to NSW societies faced with massive withdrawals.

For all this de facto support of building societies in trouble, there is no statutory obligation for the Reserve Bank to provide lender of last resort facilities.

In its submission to the Campbell enquiry into Australia's financial system the Association of Permanent Building Societies now proposes that the Reserve Bank should be required by statute to provide such facilities.

They would then enjoy the same support from the Reserve Bank as their chief competitors in the home lending market — the savings banks. If the Reserve Bank Act is amended to provide the building societies with lender of last resort facilities, then they will likewise be offering the public insured deposits.

Unlike the savings banks they are not governed by the restrictions on interest rates imposed under the Banking Act, and usually offer interest on deposits at one or two per cent above the maximum rates the savings banks are permitted to offer.

In effect the implementation of the permanent building societies' proposal would convert them into quasi-savings banks offering far more attractive rates of interest to the public than the savings banks themselves.

Either of two measures would ensure equitable competition between banks and building societies: the deregulation of the interest rates of banks, or the regulation of the interest rates of the building societies under the Banking Act.

The paradox is, that the latter owe their rapid growth in the last decade precisely to their ability to attract funds through higher interest rates.

How to remedy the permanence that has afflicted some Australian permanent building societies without losing this major advantage remains as yet unresolved.

Treasury advocates decontrol of insurance

THE Australian Treasury, which drafts the country's insurance legislation, has proposed the deregulation of Australian insurance.

In its submission to an inquiry into Australia's financial system, it strongly opposes the notion that any further legisaltive controls are necessary to protect the consumer.

The Treasury argues that existing legislative control of Australia's insurers may even be working against the interests of the consumer.

General insurance companies operating in Australia must be authorised by the Insurance Commissioner in accordance with the provisions of the Federal Insurance Act.

Similarly, life insurance companies must be authorised by the Life Insurance Commissioner.

The Treasury submission says: "The existing arrangements, by giving all companies the status attaching to authorisation, may in fact be discouraging sufficiently careful assessment of the strength of companies...the answer to this is not necessarily more regulation. It could in fact be less."

In particular, Treasury has clearly expressed its opposition to any licensing of Australian insurance brokers.

This move runs counter to the views expressed by influential sections of the Australian insurance industry and the Federal Law Reform Commission.

In December last year a major Melbourne broking company went into voluntary liquidation owing creditors an estimated $A1.09 million.

The Corporation of Insurance Brokers of Australia, used the occasion to call on the Australian Government to protect the public from the failure of insurance brokers.

CIBA national president Frank Laird said at the time his organisation had since 1969 repeatedly warned successive Federal Governments of the consequences of failure to control Australia's insurance broking industry.

Such control, he said, would also "prevent wholly undeserved suspicion falling on those members of the insurance broking industry whose conduct is beyond any reproach".

There is little effective control over what an Australian insurance broker does with funds he receives from clients before passing them on to the insurer.

So far the Australian Federal Government has ignored all proposals and warnings on this central problem.

In what may well be construed as a calculated rebuff both to the CIBA and the Federal Law Reform Commission, the Treasury proposes a system of voluntary accreditation, by which minimum professional standards could be laid down for those brokers who voluntarily seek accreditation.

Having rejected the notion that non-licensed brokers should be prevented from practising, the Treasury says the Australian public must assume for itself the risk of dealing with the non-registered broker.

The increase in the ordinary life insurance forfeiture rate, currently about 10 per cent of policies, is a matter of concern among Australian insurers and the Treasury is critical of the present minimum value of life insurance policy surrenders.

It suggests that insurance companies and individuals be free in future to enter into an insurance contract providing for lesser, and even no surrender value, in return for a lower premium or other benefits.

The Treasury also rejects a suggestion made by the Law Reform Commission that insurance companies be obliged by law to provide summaries in plain language of insurance policies to the consumers.

It says: "To the extent that consumers want or need additional or new forms of information and are willing to pay for them the market can be expected to respond appropriately."

In this, as in much else, the Treasury is plainly at odds with the Law Reform Commission's proposals for Australian insurance.

It is even more difficult to reconcile its sudden espousal of deregulation with the undertaking given in March this year to the Insurance Brokers Council of Australia, by the Treasurer, Howard, when he promised personal support for its long-standing campaign for Federal Government legislation to control insurance broking in Australia.

UK Royal Commission's pointers to law reform

by Jack Hodder

LAWYERS generally are accepted as a necessary evil. Just how necessary (and how evil) is a question that has been occupying the Royal Commission on Legal Services in England, Wales, and Northern Ireland for the past three years.

The commission's 864-page report released last month was generally flattering to the legal profession.

The commission was set up by Sir Harold Wilson, over the objections of the responsible Minister, Lord Elwyn-Jones. Its chairman was a leading City of London accountant and veteran of official inquiries, Sir Henry Benson. Among the other 14 members were Wilson's press secretary, Joe Haines, the UK Consumers Association director, Peter Goldman, the London School of Economics head, Ralf Dahrendorf.

There were only four orthodox lawyers (a judge, a non-practising QC, and two solicitors).

The commission's report is comprehensive but far from radical. It has been praised by the legal trades union (one of which, the Law Society, estimates that its costs in participating were $500,000).

Others have been less impressed. The Financial Times, for example, thought it could become "a classic text on the complacency which pervades British society".

The report is relevant to New Zealand. Apart from the fusion of barristers and solicitors in this country, our legal profession is very much English-based.

Further, our legal services are under official scrutiny. The new Law Practitioners Bill is due for introduction next year and the Justice Department is in the middle of a review of the various legal aid schemes.

Conveyancing: "Closed Shop"

Conveyancing, the legal aspects of the transfer of title to land, has been limited to solicitors in England since the end of last century. This "closed shop" (a phrase used by the commission in preference to "monopoly") has been adopted in New Zealand and is protected by statute.

Much conveyancing is uncomplicated and carried out by unqualified staff in legal offices and the closed shop has been regularly criticised from outside the legal profession.

Whether to retain this closed shop was one of the principal issues facing the commission, which observed that the purchase of a house was the most expensive transaction in most people's lives.

It was emphatic that the client of a conveyancer must be protected from dishonesty, negligence, ignorance, incompetence, and unreasonable charges.

It concluded that the organised solicitors' profession and do-it-yourself conveyancers met these criteria, that a "free-for-all" would definitely not be in the public interest, and (by a majority only, with five vigorous dissents) that neither a system of licensing non-solicitor conveyancers nor the creation of a new profession of conveyancers would provide increased competition or lower charges if the high standards required of solicitors were (as they would have to be) demanded.

The majority's conclusion on this point was reinforced by evidence of competition between solicitors since the abolition of the fixed scale of charges in 1973. (A fixed scale remains a feature of the New Zealand legal profession).

Apparently fees payable by the purchaser of a $40,000 house range between $280 and $520 in England.

The commission recommended a system of non-compulsory standard charges. Solicitors could charge less than standard rates (and advertise the fact) but could charge more only with the client's prior approval.

The majority thus recommended that the existing closed shop be retained, extended (to the preparation of contracts for sale) and strengthened (by increasing the penalties for conveyancing for reward by non-solicitors).

Dissenting commission members claimed that the connection between solicitors and conveyancing was not sacred (it having arisen in 1804 as a convenient way for the Government to collect stamp duty), that innovative and healthy competition was in the public interest, and that the economics of the legal profession had been distorted by reliance upon conveyancing for income.

It was said that in an area of high property values (for example, Bournemouth) the ratio of solicitors' offices per head of population is 1:2000; in deprived areas of Merseyside the ratio was 1:67,000.

Advertising

The question of advertising by the legal profession as a method of increasing competition was considered by the UK Monopolies Commission in 1970 and 1976, which found that the profession's restrictions of advertising were against the public interest.

The Royal Commission agreed: The most important interest was that of the potential client in being aware of the availability of legal services.

But again, no "free-for-all": Advertisements by individuals or firms would be regulated by the Law Society, could not refer to the quality of service, to the number of staff employed, to the other clients, or the case load or fee income of the practice.

Lawyers' charges and income

The commission found the remuneration of solicitors and barristers generally in line with remuneration in comparable occupations. Exceptions to this were a widespread inadequacy of pension provisions, low earnings for young barristers and for salaried solicitors employed in private practice.

Criticism of high fees commanded by barristers specialising in defamation, commercial, tax and planning matters were made to the commission, but it regarded this as a reflection of the market.

The commission's consultants found that whereas 91.7 per cent of junior London criminal barristers' fees were derived from public funds, senior Chancery and specialist QCs derived a mere 1.5 per cent of their fees from public funds.

Dealing with solicitors, the commission recommended the cessation of the practice of buying and selling goodwill as between incoming and outgoing partners and recorded that overhead expenses accounted for 63.3 per cent on average of solicitors' gross income.

The sole practitioner and the large (10 or more partner)

THE LAW

firms were found to have the highest overheads.

Time recording and costing as the basis for solicitors' charges was strongly endorsed by the commission as improving efficiency, the standard of service and the practitioners' profitability.

It cited a small firm in a depressed area of London with a practice comprising mainly welfare, law and legally-aided work which was able to pay above average remuneration to all staff because of the care taken in establishing and managing a time costing system.

Time costing was also seen as a means of enabling a solicitor to give reasonably accurate estimates of work to clients at the outset.

In any event, the commission recommended, a solicitor taking instructions should be under a professional duty to promptly inform the client in writing of the basis on which charges are made, that he may set a limit on the costs to be incurred without further authority, that the final bill may be reviewed by an impartial body, any possibility of liability for an opposing party's costs having to be paid, and an estimate if possible.

Specialisation

The pros and cons of recognising lawyers as specialists in certain fields are under study in the New Zealand Law Society.

The commission favoured such recognition. It recommended that an individual solicitor (not a firm) in practice for at least five years and devoting at least 25 per cent of his time to a subject should be able to apply to the Law Society for designation as a specialist in that subject (but no more than two subjects at any one time).

The applicant would be interviewed by a panel of experienced practitioners who would investigate his professional record and work before determining whether the designation was justified.

Race Discrimination

"A failure to remove even the appearance of discrimination from the legal profession reduces the confidence of every sector of the public in the fair administration of justice." So said the commission at the beginning of its chapter on race and sex discrimination in the profession.

It saw sex discrimination as disappearing (albeit slowly) but was disturbed at trends in relation to race discrimination.

Apart from the overall under representation of ethnic minorities in both branches of the profession, the commission feared the development of "ghetto" practices where practitioners from ethnic minorities would receive work solely from their own ethnic community.

These lawyers would have little informal contact with those outside that community and would produce a clear division on racial lines in the practise of the law.

The commission called for a major voluntary effort by the profession and its governing bodies to ensure that all racial groups enter and practise on equal terms.

The alternative was compulsory measures and, in the absence of voluntary progress, the problem warranted their implementation.

A large part of the commission's report is taken up with matters that will require a substantial increase in public funding of legal services: A national system of Citizens' Advice Bureaux; Citizens' Law Centres in areas ill-served by private practices; and a widening of the availability of civil legal aid (to encompass middle-income earners and tribunal work).

The report says that improvements in efficiency within the legal profession cannot remove the fact that legal services involve highly-skilled and time-consuming work — that is, the law will remain expensive.

The questions are: Who is going to pay for it, and who will not have the benefit of it?

The Royal Commission on Legal Services cost British taxpayers around $2,500,000. We in New Zealand do not need a similar expenditure of time and effort to be shown that, while the fundamentals may be in place, the legal services system is due for important reforms.

Exchange rate adjustments have implications for farmers' future finances

by Colin James

THE automatic exchange rate adjustment mechanism, introduced in the Budget to maintain exporters' profitability and real incomes, by itself will not necessarily ensure that farmers maintain their position.

To ensure that they do, and to account for structural changes, movements in invisibles and other factors, the *other "leg" of the Budget's* flexible exchange rate policy — discretionary additional changes in dollar parity — will need to be used.

These are the broad conclusions of a paper presented by Reserve Bank economist Arthur Grimes to an economists conference.

Grimes says they are his views; they do not necessarily reflect those of the bank.

The automatic exchange rate adjustment policy, which has led to small downward adjustments of the dollar totalling roughly 1.5 per cent over the past four months, is designed to offset any excess movement in New Zealand exporters' costs compared with those of our trading partners.

In other words, as Finance Minister Robert Muldoon said at the time: "This will ensure that in future exporters' profitability and real incomes are not eroded by local inflation."

But this mechanism does not automatically take into account changes in foreign prices for agricultural products, which are still our principal export earner and likely to remain so for some time.

The long-term trend over the past two decades has been for these prices to fall relative to those for manufactured goods — and relative to farmers' costs.

Thus, if New Zealand had relied only on the automatic ajustment mechanism during those decades, manufacturers' export competitiveness would have been maintained, but farmers would have had to battle an adverse trend in their terms of trade.

This is confirmed by Grimes' findings.

It raises an important question for the future: if farmers' prices on foreign

PRIMARY INDUSTRY

markets continue to rise more slowly than those for manufactured products over the long-term, what do we do about farmers?

Do we let them rot, let the market encourage them to change their ways, subsidise them, or devalue?

Grimes sees a role for the second "leg" of the flexible exchange rate policy — the discretionary adjustments, which Muldoon said in the Budget may be required by "structural adjustments of the economy to changes in our international trading relationships".

Whether that will be interpreted to farmers' benefit remains to be seen.

In his paper Grimes analyses the changes in competitiveness of New Zealand manufacturing exporters from 1958 to 1977.

He uses a similar weighted basket of foreign currencies to the one used in the new automatic procedure.

Grimes calculates a unit labour cost index for each country from industrial production, industrial employment and wage rates.

Comparing these rates, he finds that over much of the time from 1958 to 1977, New Zealand has shown small cyclical fluctuations in competitiveness with no consistent trend towards increased or decreased competitiveness.

"For example, the years 1975-6 exhibit a similar competitive position to 1962-3," he says.

There was a "considerable and uncharacteristic leap" in the New Zealand unit labour costs over foreign unit labour costs in 1977. But no long-term conclusions can be drawn from this one year's result.

When successive devaluations during the period are included in the calculations, "we find a rather different situation emerging, with a consistent upward trend in our export competitiveness since 1967, tempered only by a decline since mid-1976".

He notes that "the 1973-5 period afforded exporters a massive boost in their competitive position, although since then the lack of action to offset cost increases by suitable exchange rate policy has caused the position to deteriorate somewhat".

Taking the calendar year 1964 as a base — it was a year when the balance of payments was near zero, with a $1.9 million surplus — Grimes calculates that manufacturing exporters' cost competitiveness improved by 47 per cent between 1964 and 1976.

Even after the 1977 dip the increase was 35 per cent.

To check the validity of his calculations, Grimes does the same exercise, comparing wholesale price indexes for the different countries.

This method gave a 42 per cent increase in competitiveness from 1964 to 1976 and a 33 per cent increase between 1964 and 1977.

Why? Grimes turns to the fact that most of our exports have been in primary produce.

"The concept of cost competitiveness refers principally to the trade of manufactured goods and not to the trade in agricultural produce which does not rely so heavily on relative international cost movements.

"Instead the relationship between New Zealand farm costs and the prices received for our produce overseas provides the appropriate concept of competitiveness in this field."

Using a base period of 1962-1965 (two relatively poor years and two relatively good years), Grimes calculates that farm costs rose 144 per cent from then till 1976-77.

Over the same period export prices in New Zealand dollar terms rose by 164 per cent. In foreign currency terms the prices rose only 82 per cent.

Grimes says this shows that "exchange rate changes during this period have been effective in maintaining farmers' terms of trade despite the relative fall in foreign currency export prices".

In other words, "exchange rate policy has acted to equate changes in farm costs with changes in the New Zealand dollar prices of the country's *agricultural exports*".

Much the same result is achieved if the calculation is done using prices received by farmers and the foreign currency value of those returns.

In this case, prices received increased by 145 per cent (compared with the 144 per cent increase in costs) and the foreign currency value by 75 per cent.

"We can therefore conclude that New Zealand's exchange rate changes since the mid 1960s have acted, whether *intentionally* or unintentionally, to closely align changes in farmers' returns with changes in their costs.

"However, the depreciation required to allow the exchange rate to perform this equalisation role for agricultural exports is greater than the depreciation required to accommodate changes in the relative unit labour costs index."

This in turn accounts for the increased manufacturing competitiveness.

The corollary has been an *increase* in the volume of manufactured goods — taking advantage of the fact that foreign prices of our manufactured exports rose 9 per cent between a base period of 1962-6 and 1977, compared with a 115 per cent rise in the weighted foreign wholesale price index.

In other words, the foreign prices of New Zealand manufactured goods rose much more slowly than the prices on foreign markets of competing goods.

Grimes calculates also that manufacturing exporters' position — measured as the ratio between New Zealand dollar prices for manufactured exports and New Zealand unit labour costs — rose 5 per cent during the period.

Grimes then turns to the reason for our chronic balance of payments trouble since 1974.

His conclusion is that it stems from the boom in imports in 1973 and 1974, when real imports went up 28.3 per cent and 22.8 per cent respectively.

If, instead of those increases, there had been increases of only 3.52 per cent — the average for the preceding five years — there would have been a trade balance surplus of $173.7 million in 1974, compared with an actual deficit of $530.1 million, and a current account deficit of $250.4 million, compared with the actual $599.8 million deficit.

"Coupled with the increased trade surpluses for 1973, 1976 and 1977, our balance on merchandise trade since 1973 would have increased by a total of $1581.3 million over the actual combined deficit of $99.7 million," he says.

"New Zealand need not have suffered the severe balance of payments problems that it has suffered, had suitable domestic demand management policies or trade restrictions policies been adopted to prevent the huge real increases in imports in 1973 and 1974.

"The external problems that have been so severe since 1974

ROB MULDOON ... protecting against local inflation.

can largely be attributed to the massive level of real imports for these two years, although this has naturally been exacerbated by the disproportionate rise in oil prices that has led to a considerable downturn in the *terms of trade*."

He notes also the effect on invisibles of higher freight costs and increased travel payments.

"We can thus explain New Zealand's recent balance of payments problems largely from the payments side," he says.

"Our level of competitiveness in world markets has clearly not caused our external problems and may even have allowed us to cushion the shocks somewhat."

*These considerations in*dicate the limitations on the effectiveness of the automatic exchange rate adjustment mechanism introduced in the Budget.

Too strict an adherence to that leg of exchange rate policy, in Grimes view, would insufficiently account for the needs of farmers, structural changes in invisibles and changes in demand affecting imports.

If the automatic adjustment policy alone had been applied during the 1962-1976 period, it would have led to only a 118 per cent increase in farm gate prices compared with the 144 per cent increase in farm costs.

"As the agricultural sector still provides the major share of our exports we must ensure that its needs are not overlooked while we are emphasising the need to stimulate manufactured exports," Grimes says.

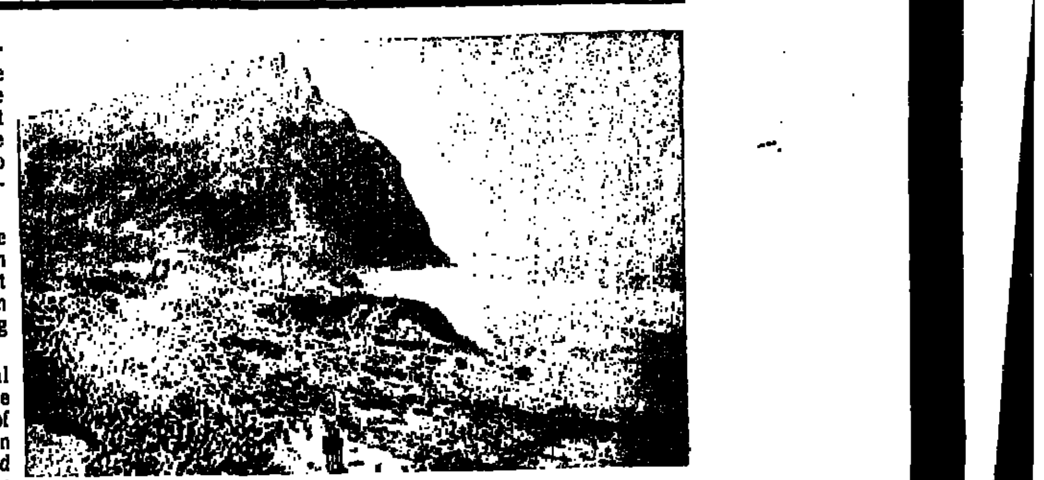
"Hence additional exchange rate changes to maintain farmers' terms of trade must remain a vital ingredient in future exchange rate setting procedures.

"In addition, structural factors such as adverse movements in the terms of trade, increasing foreign *protectionism and increased* debt burden must also be accounted for."

Grimes looks to the discretionary exchange rate changes mentioned in the Budget as a means of dealing with these factors and with the effects of the easing of import controls.

He also sees a need for coordination of demand management and trade policies to ensure that the management of the balance of payments does not get beyond the reach of other instruments.

"In the situation prevailing in 1973 and 1974, (when Grimes says there was a lax approach to demand management) it



EXPORT FARMING ... role for discretionary adjustment.

would be unrealistic to expect that exchange rate changes could have countered the adverse balance of payments effects caused by the expansionary demand conditions within the domestic economy.

"When suitable demand management and trade policies are adopted, however, then exchange rate policy may be of considerable importance in managing the balance of payments.

"The exchange rate regime as announced in the 1979 Budget is a two-legged policy involving exchange rate changes that cater for both relative purchasing power parity factors and for additional structural factors and it is this two-pronged approach to exchange rate setting that distinguishes the new policy from previous approaches.

"However, either one or other of the approaches by itself is insufficient when used as a guide to exchange rate setting and so it is vital that the practical exchange rate setting procedures 'walk' on both legs of the policy rather than attempt a prolonged 'hop' on only one leg."

"I have two thousand acres in guaranteed prices, five hundred in production bonuses, a thousand in quality premiums and the rest in adjustments and support prices . . ."

Airline develops transport service sales tool

by Bob Stott

ONE of the most sophisticated transport service sales tools yet developed is British Airways' Distribution Advisory Service.

Designed to promote air freighting of goods the basic principle has implications for everyone concerned about distribution costs.

Transport cost is only part of total distribution costs, and in some cases the cost of transport is less than the total cost.

Explaining this to transport users can be hard work, so the airline developed a computer programme which can be tapped via any telephone through a portable desk-top computer terminal.

The air freight salesman can call on a potential customer, get basic information from the customer, feed it into the computer via the portable terminal, and get back in seconds a series of detailed calculations. The airline expects these will show that by switching to air cargo the customer can reduce his costs.

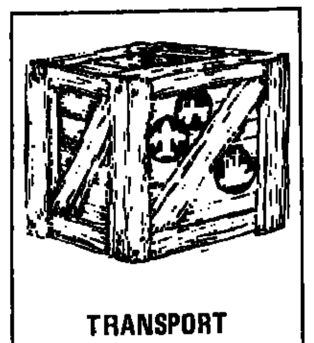
The customer has a form of guarantee that the computer programme is not loaded in favour of air-freighting. If he takes the airline's advice and fails to achieve the promised savings, he can revert to his original transport method.

Use of the system is free and the airline guarantees to keep information supplied by the client company entirely confidential.

The basic information a customer is asked to provide concerns the type, value, weight and so on of the goods concerned, their origins and destination, packaging cost, current transport charges, and a quote for air transport. All information comes from the customer, not the airline.

The computer works out savings in inventory cost, in packaging and so on and then prints out a list of any goods which could benefit from air transport, and the savings to be realised.

In more detail, these groups of figures are needed to complete a survey of a client's distribution system.



TRANSPORT

A description of the commodity, its origin and destination, the unit of value to be used (dollars, pounds and so on) the weight unit (pounds, kilograms, and so on) and length (used for calculating warehouse density.

- Gross annual sales to the named destination, average weight to value, number of orders a year, rate of customs import duty, duty type (FOB or CIF) and cost of capital per year are then fed into the computer.
- Data covering current average consignee inventory, warehouse density (density of the product in weight per cube of space as stored in consignee's warehouse), warehouse cost, inventory tax rate (total public taxes on inventory) and inventory insurance rate.
- Packaging cost, pick-up cost, freight tariff (the current tariff, usually sea) the delivery cost, miscellaneous charges (such as storage or handling charges at the port of destination), door-to-door time, total lead time (time lapse between a consignee placing an order and receiving goods), safety stock (held to protect against delay or abnormal demand) and obsolescence rate (important for instance in the case of fashion goods).
- The final data group covers transport insurance rate, transport insurance loss, insurance claim settlement time and non-insurable loss.

If transit time can be reduced, for instance, inventory costs and the capital cost of goods in transit can be reduced.

Because of the nature of air transport, less packaging is usually needed, breakages are fewer, and pilferage is reduced, and this is reflected in insurance rates.

Although air freight may cost more than sea, the total distribution cost may be lower.

There are times when even the air freight cost alone can compete with sea freight. Sea transport charges by volume, air by weight (as a general rule). Items which have a large volume and a relatively high value can sometimes attract a lower rate by air than by sea.

What the customer sees coming out of the Distribution Advisory Service computer, first, is either a line saying air has no advantage or a printout typically reading: "In order to obtain the maximum possible savings from the use of air distribution all goods with a value-weight greater than $x per pound should be sent by air."

Any marginal categories follow, plus a graph of comparative annual costs by value-weight.

The customer can request other information, such as a total cost summary by value-weight, total cost summary by cost item (showing estimated savings in packaging, insurance etc), a list of comparative stock levels, and so on.

The fact that the airline had to develop the system shows that many transport users don't think deeply about total distribution costs — or perhaps they don't know how to.

This might be understandable in the case of small firms, new to exporting, but several British firms — huge by New Zealand standards — have used the Distribution Advisory Service and been surprised to find their distribution costs could be markedly reduced.

The same sort of approach can be used in other distribution systems. Any trained transport manager should be able to do similar sums to compare different forms of internal transport, competing transport services of the same mode and so on.

A cut-rate conventional service might seem ch... than a faster and ... frequent container ser... vice — but is it when all the ... are considered?

The approach might ... that a customer usi... transport should shift ... Imagine a sea trip of ... days, compared with a ... filler rate which costs ... ostensibly is faster, but ... takes the same time be... is "filler", and not "...

Frequency as well as ... must be considered. ... slowish daily service ... cheaper than a rapid ... one.

British Airways takes ... care to get alongside ... pany's transport ma... when it is invited to go ... firm's transport ... distribution system and ... found it can save users ... sums of money annually.

At the same time, it runs ... risk of bringing down all s... of strife on those who ha... evolved a firm's exis... distribution pattern.

So the aim is to work ... firm's transport manager ... him over and let him ta... much credit as possible, ... than see him out on ...

The airline is not ... going through the Distr... Advisory Service ... for a customer who desp... only a few parcels a ... generally anyone wh... offer, say, 100 to 200 ... year is probably wo... effort.

The airline has us... system in Australia, ... some 50 studies recently ... carried out. The ... identified some 260 ... year of potential air fr... and the airline regards ... tonnes of that total as p... future traffic.

That compares wi... tonnes moving at prese...

New Zealand firms ... can produce wort... tonnages of cargo ... their data processed ... airline overseas.

Meanwhile for all tra... users, internal ... ternational, the philos... the Distribution Adv... System offers food for th...

Tether tangle part of complex international web

by Rae Mazengarb

EVENTS which led to the winding up of R Tether (Insurances) are still murky and Justice Department officials say the situation is complicated.

Tether (Insurances) had claimed to have a binding authority with the Hong Kong-based company, Commodore General Insurance Co Ltd through its London agent.

Commodore's representative denied there was any such arrangement, and said Tether (Insurances) had authority to write business on behalf of Commodore for 14 facultative insurances only.

But following the decision of Lloyd's underwriting agency, Ashby and Co, to suspend activities in three working syndicates under its control because of concern over premium income limits, Commodore's name has again come to the fore. This time in London.

In the course of extensive inquiries, to quote from Post Magazine — "The name of the reinsurance group, Commodore General Reinsurance, which has UK liaison agents, but is thought to be based in the Far East, also comes into the picture.

Reports reaching Post Magazine suggest some reinsurance business was placed with this company under a binding authority in the course of the deals which may have led to premium income limits for one of the Ashby syndicates being overstepped. Commodore Reinsurance (Management) UK, which looks after its affairs in London, has refused to comment. But the company, which according to some reports operates out of Hong Kong or Taiwan, has also been doing business in New Zealand through local brokerage operations . . ."

"The extent to which it was used either by the Ashby group, or by brokers placing reinsurance cover with it, now remains to emerge."

An article from The Financial Times "World Insurance Report" elaborates:

"The sequence of affairs that led to the syndicate's breaching its premium limits is understood to be as follows:

"Primary producers passed overseas business to their London correspondents, who in turn passed the business to Commodore Reinsurance (Management) Company Ltd in London (WIR 1G). Commodore Reinsurance (Management) passed the business on to the Ashby syndicate through Furness-Houlder's binding authority. At a later stage Commodore Reinsurance (Management) acted in a reinsurance broking capacity and passed the business onto Commodore General Insurance Company Ltd in Hong Kong.

"But Furness-Houlder can only account for about 80,000 pounds of premium being put through its books: 77,000 pounds on Australian motor business and 3000 pounds on jewellers' block business. Furness-Houlder has suspended an employee while the matter is investigated

"Meanwhile, attention is likely to focus on the commercial arrangement of the syndicate, which has breached its premium limits through the use of this scheme, with Commodore Reinsurance (Management). Commodore Reinsurance (Management) is neither a United Kingdom authorised insurer nor a listed broker. It describes itself as a management service company."

BMG

INTERNATIONAL COMPUTERS BUSINESS MANAGEMENT GAME

IN ASSOCIATION WITH NATIONAL BUSINESS REVIEW

CONTESTANTS in the third round of the International Computers Business Management Game are encountering totally different conditions from the earlier rounds, reports ICL's BMG administrator, Dr Michael Jameson.

Profits are far higher than under the very tight conditions experienced earlier. The Ministry of Works engineers in the Rangipo Syndicate and a team of Dunedin accountants both managed to clear more than $4 million after tax in the latest period.

In the case of the Rangipo team, however, it was still not sufficient to overhaul the excellent performance of Cynthia Treloar and her Waikato University Economics Department team, which still leads it by $1.7 million.

In the Wellington area section of the third round, the Andrew King and Associates team of Hutt Valley rapidly expanded productive capacity in line with the buoyant conditions and was in a good position to survive the industrial troubles of the period in this round.

Dr Jameson said: "In line with the sort of industrial problems that many companies have experienced recently, I decided it would make an interesting and highly relevant test of the teams' adaptability to see if they could cope with the situation where production capacity is suddenly reduced to one half of normal."

Most teams raised their prices substantially and made large profits as they sold their meagre stocks at very large margins in the under-supplied market. Unfortunately, some teams still overmarketed when virtually no marketing was required and have now suffered a loss of "image" which reduces their possible orders in future periods.

The South Island battle of the accountants remains very closely fought with the lead alternating each period between the Dunedin team of Barr Burgess and Stewart and a team from the Christchurch firm of Lawson Leighton and Co.

With the large profits being made, further upsets to the present leaders are quite possible in the remaining three periods of round three. The winners of the round, who each win a zone final prize of $200 will be announced in National Business Review at the end of November, and they will go forward to contest the final for an additional prize of $1000, provided by ICL, in early December.

The progress results in round three are:

GAME	LEADING TEAMS	ACCUMULATED PROFIT IN $000s
Game TA (Mainly Auckland teams)		
1	General Foods Ice Cream Division, Auckland	9754
2	MWD, Turangi	8837
3	Fletcher Brownbuilt, Auckland	8653
4	IDAPS Computer Science, Auckland	7671
5	Manukau Technical Institute	5743
Game TB (Mainly Central North Island teams)		
1	Treloar Enterprises, Univ of Waikato	10287
2	Feltex Furnishing Group, Auckland	8645
3	Rangipo Syndicate, Turangi	8578
4	Auckland Hospital Board	8255
5	Central North Island timber company	7818
Game TC (Mainly Wellington teams)		
1	Andrew King & Associates, Lower Hutt	9766
2	Mansell Enterprises, Wellington	8210
3	National Chartered Accountant, Chch No 2 team	7491
4	Mobil Oil, Wellington	6878
5	Ford Motor Company of NZ Ltd	5263
Game TD (Mainly South Island teams)		
1	National Chartered Accountant, Dunedin team	9180
2	Christchurch Chartered Accountant	8702
3	National Chartered Accountant, Chch No 1 team	6833
4	Christchurch Chartered Accountant	6651
5	B McCullough Associates	5863

Taking the bugs out of travel

The risk of catching some dangerous or discomfiting *disease while abroad on business or pleasure can largely be* overcome by taking sensible precautions. Dr David Carrick, discusses the ways a traveller can help himself to be safe rather than sorry.

THE last thing I wish to excite, in an article on health and travel, is a feeling of alarm in readers who wish to go abroad, or, through business, are forced to do so.

I outline the various possibilities of trouble to those who do not know of alien problems, just as I would advise a man to learn how to swim before he attempts to walk on the waters.

The chances of catching any of the diseases discussed, assuming always that the traveller moves in reasonable circles and in countries where public health measures are adequate, are very small.

But even the most luxurious hotel is not absolutely mosquito-proof; and the cleanest restaurant in the world is not impregnable to a bacterial invader lurking in an oyster or tinned food. And the precautions advocated are never as tiresome or painful as the diseases against which they are aimed.

One such disease is typhoid fever. It can occur in the Arctic as well as in warmer climes, although the risk is *higher in the latter areas,* notably in countries bordering the Mediterranean which has been said to be the most polluted ocean in the world.

Although by no means as formidable as, say, malaria, typhoid is a very serious intestinal infection which can have a fatality rate as high as 10 per cent in cases inadequately treated; and even in those most properly treated, the mortality is upward of 2 per cent.

Unlike the majority of epidemic diseases, typhoid is contracted indirectly. It comes via such fomites as contaminated water, food and milk or from creatures like shellfish, or plants, such as water-cress which grows in water in which the responsible bacteria have been deposited by infected sewage.

Although some epidemics can be traced to people actually suffering from the disease and handling food; or flies which have carried the organisms from excreta to food, many are never traced because the source is a symptom-free carrier.

The most famous carrier was "Typhoid Mary", an unfortunate Irishwoman who, over a period of several years in the early 20th century, slew several people and made many more very ill in various parts of the United States — she was deadly, for Mary was a cook.

A worrying aspect of the disease is its insidious onset. During week one, the patient may have no more than a headache, lassitude and general malaise accompanied by a fever that rises in steps. The pulse being notably slow, a *mistaken diagnosis of in*fluenza might be forgivable. In some cases there are frequent nose-bleeds, signs that might register with a very alert doctor.

Week two sees a marked deterioration. *The patient is* most evidently very ill and may well exhibit a degree of mental confusion. Although the main site of invasion by the bacteria is in the intestines, constipation is more common than diarrhoea.

One sign is most significant — a rash of rose-red spots appears on the chest and abdomen. Even without laboratory help, the diagnosis should now be evident.

Week three may see improvement in mild cases, but the heavily infected person may deteriorate rapidly. And week four, during which the fortunate may begin to convalesce, the less lucky may succumb as the result of perforation of the bowel, internal haemorrhages, pneumonia or heart-failure, the spread of the disease by the bloodstream may also lead to bones and joints being involved.

A majority of survivors never again excretes the responsible germs, but a few (like Typhoid Mary) may go on doing so for years, spreading illness and causing deaths whilst they themselves enjoy perfect health.

Tracing down such innocent offenders is difficult. If found, they must be persuaded to undergo tests and treatment which is usually successful. But coaxing a perfectly fit individual to receive treatment for a disorder that in no way bothers him, is about as easy as preaching compassion for mice to a farmyard tomcat.

All this can be prevented by immunisation. TAB injections (given twice over four to six weeks) convey immunity for about three years. In some *people these injections* produce unpleasant reactions lasting a day or two; but the Monovalent (i.e. that which covers typhoid but not paratyphoid A and B) injections are less troublesome in this respect.

But surely a stiff arm and a few hours of discomfort and malaise are preferable to contracting a disease that can kill; cause a lengthy and debilitating illness and even turn a few people into innocent poisoners.

Although not an epidemic disease, tetanus (lockjaw) is even more dangerous. With a worldwide distribution, the malady can be obtained as easily in Bolton as in Bahrain. Caused by a saphrophytic *organism, which is much* happier in dung and in the absence of oxygen, it can occur in man and other animals.

Penetrating wounds — those from some thorns are ideal — are more dangerous than open cuts because, in the former, the organism is literally injected and, as the flesh closes behind, the perfect airless condition is created.

The poison produced leads to a dangerous illness in which exhausting fits may lead to death. The incubation period depends upon the distance the entry point is from the brain. Thus, if the injury is in the head or neck, symptoms may appear as early as two days afterwards. But if the wound is in a foot, some 14 days may elapse before trouble begins.


GOOD HEALTHKEEPING

Immunisation is by injections. A total of three are given, the second within six to twelve weeks after the first and the third within six to twelve months of the second. In the days when horse-serum was employed exclusively, very unpleasant and even dangerous reactions occurred in some people. The introduction of Humotet, which uses human serum has greatly reduced the problem.

Far more common and much less dangerous yet extremely incommoding is "Gippy Tummy", or "Delhi Belly" or "Tokyo Trots" etc which can attack travellers anywhere in the world.

No high-powered business meeting can be carried on restfully if several members have to keep rushing out of the room irregularly and returning exhausted. And for holiday-makers to spend 90 per cent of the time in lavatories is as tedious as it is wasteful — it seems such a shame to pay for a bedroom one hardly sees and for food one cannot fancy.

Prevention is no more advisable than putting up an umbrella before rain. A prescription drug, Streptotriad, taken only if the condition develops (usual dose being two tablets three times daily for five days) is rapidly and astoundingly successful.

Such an easy method this and one that renders an otherwise ruined holiday or erratic business trip pleasant and rewarding, instead of expensively exhausting.

Powerful brew sends MPs reeling into action

by Ben Furby

SELDOM can the Great Australian Clobbering Machine *have* had its taps turned on with the speed it was brought into action last month. But then, it was frothing at a threat to a great Australian institution. Australian beer. Or: New South Wales brewers were feeling a threat.

Every Australian has heard of New Zealand. Some have even been there. Such travellers usually return praising the scenery *and* complaining about the warm, weak, Kiwi beer.

Thus the NSW Government appeared shocked to the dregs of its kegs when the promotion of NZ Steinlager Bier was announced. Not only were the despised Kiwi brewers about to unleash Kiwi beer on guileless Oz beer drinkers, but the brew reportedly was stronger than the state's Tooths or Tooheys.

Such heresy obviously demanded that the barricades be manned, and the tops blew off the bottles as the NSW Government metaphorically foamed at the thought.

"I am shocked by the irresponsibility of the marketers in putting this product before the public so soon after the Pure Food Act was amended to permit the sale of the low-alcohol beers," the NSW Minister of Health, Mr Stewart, was reported as saying, in the Sydney Morning Herald of October 20.

Can the Oz beer drinker take strong Kiwi beer?

"Any suggestion that it is going to be sold as the manly alternative to light beers is intolerable," Stewart said.

Steinlager reportedly had an alcohol content of 8.6 per cent by volume, where NSW normal-strength beers range from 4.43 to 5.18 per cent.

The Kiwi launching coincided with the marketing — and apparently selling well — of new low-alcohol brews, varying between 2.7 *and* 3.3 per cent of alcohol by volume.

Stewart's colleague, the Minister of Transport, was rushed in to support the offence against Kiwi brewers. He described the imported beer as "a dreadful gesture to the carnage on the roads".

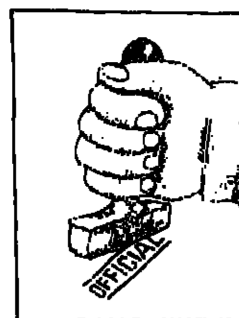
Government MPs rallied in support as the Herald said it was angered by a press statement comparing the "Bavarian booze fit for a prince" with "new brands of low-alcohol frothy refreshments".

To protect New South Welshmen from "booze fit for a prince", the NSW Government is reported to be about to amend its Pure Food Act to keep strong beer from Australian drinkers in NSW.

Coming so soon after the Act was amended to allow the new-low-alcohol beer, the plight of over-worked MPs can be imagined.

Meanwhile, Lindeman (Holdings) Ltd, which is importing the Kiwi beer, reportedly was delighted with the attention its beer was receiving.

The Steinlager is actually the same strength as that brewed and sold in NSW; some American method was used to assess its alcohol content.



GOVERNMENT ADMINISTRATION

Applied to NSW products, this method would show them to be of the same strength. Any legislation against Steinlager would be ineffective.

Every Sydney journalist invited could hardly resist the chance to try a strong brew, suitably chilled for the *Australian taste, that could* make a government reel.

What Stewart failed to take into account is that there are plenty of stronger drinks on the market.

Spirits and sherry have not been legislated against; nor has Coopers beer, which is readily available in liquor stores.

To the uninitiated, the appearance of this South Australian beer is enough to thrill with horror any party-goer who has seen the drink supply dwindle to the point where the host brings out his home brew.

The label on each bottle of Coopers warns the drinkers of the sediment, so that its murky, cloudy looks do not come as the surprise that "mud" in the bottom would normally cause when seen in a commercial beer.

After the shock of the "mud" is overcome, Coopers turns out to be an excellent drink.

It is famous, too, for its ability to take diluting with ordinary water, which it assimilates without the effects such mixing would cause in any other beer.

The story of the protest about strong beer was juxtaposed in Saturday's Herald with a story of two cockatoos domiciled with a galah named Pinky.

The cockatoos are to be found a new roost, by order of the NSW Supreme Court, because they have offended neighbours, mornings and evenings by screeching incessantly: "Alma, I want a cup of tea!"

The cockies must go, the court ruled, but Pinky the galah may stay.

Mentioning a galah in the story next to the Minister who lost his cool over a Kiwi beer on allegations over its strength, while ignoring the strength of out-of-state brews and other stronger drinks, is appropriate to anyone familiar with Australian idiom.

Feltex

Feltex Directors' Report 1979


H. G. CALLAM
Chairman

The Directors have pleasure in submitting their Annual Report together with the Accounts of Feltex New Zealand Limited and its subsidiaries for the year ended 30 June 1979.

Sales for the year advanced by 14% to a record $227,249,000 and in consequence results for the period improved appreciably. After charging depreciation of $4,775,000 (last year $4,430,000) the results compare with the previous year as under:

	1979 $000	1978 $000
Operating Profit	14,778	6,130
Add Export Rebates	-	1,633
	14,778	7,763
Less Taxation	3,032	1,247
	11,746	6,516
Less Minority Interests	820	645
	10,926	5,871
Add Extraordinary Items	377	1,511
Net Profit	11,303	7,382

This year higher taxable profits more than offset tax *claims relating to our export trading and accordingly* there are no export rebates receivable as in the previous year. The Board is pleased to note the provision in the latest Budget to eliminate the "base" which prejudiced earlier exporters relative to new entrants. The extraordinary items as in the previous year comprise realised profits on property transactions.

Consolidated Balance Sheet

Share capital increased during the year when the minority interest in Feltex Carpets (N.Z.) Limited was acquired from Carpets International Limited who accepted 1,900,000 shares of 50 cents each in Feltex New Zealand Limited. Carpets International were foundation shareholders in our carpet business and agreed to exchange shares in our subsidiary for an equivalent holding in the parent company so as to facilitate operations.

Term loans fell by $4.6 million to $40.6 million inclusive of repayment of overseas borrowings which have fallen from a peak of $17.8 million in 1977 to $11.0 million at year end.

Funds employed increased by $15.0 million largely for the purpose of supporting a 14% increase in sales.

Fifty Years

While this is the 38th Annual Report of Feltex New Zealand Limited, 1979 marks the fiftieth year since operations were commenced in New Zealand by our former Australian parent company now known as Acmil Limited. These operations and further developments were subsequently consolidated by the incorporation of our present company in 1941.

Since the year end the Company has entered into a joint operation with Acmil Limited to manufacture in New Zealand polystyrene products, adhesives, *sealants and metal surface coatings. The joint* venture Company is to be known as Actec Industries Limited.

Distribution and Dividend

The Directors recommend payment of a final distribution of 10½% making a total of 18% in respect of the year ended 30 June 1979 compared with 16½% paid for the previous financial year. The payment will be made from the share premium account. Accordingly, for the fifth consecutive year New Zealand resident shareholders will receive a tax free distribution unless they elect otherwise.

Directors

Mr. J.M. Carpenter, Chairman of Carpets International Limited and previously a Director of Feltex Carpets (N.Z.) Limited was appointed to the principal Board during the year.

Mr. C.B. Phillips retired from the Board during the *year following his transfer to Japan. He has capably* represented B.F. Goodrich on the Board over two separate periods.

Mr. A.L. McLean, formerly Deputy Chairman, retired on attaining the prescribed retirement age. He gave valuable service to the Company over a period of 13 years. His wise counsel will be missed. The vacancy created following Mr. McLean's retirement was filled by the Company's General Manager, Mr. H.M. Titter.

In accordance with the Articles of Association Messrs. Carpenter and Titter retire from office and offer themselves for election. Messrs. Callam and Ingram also retire by rotation and offer themselves for re-election.

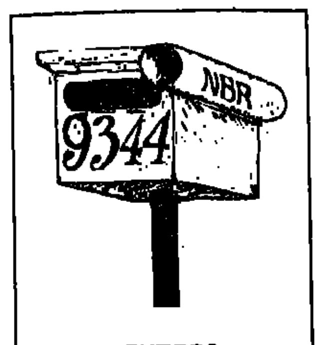
Auditors

The Auditors, Wilkinson Wilberfoss, continue in office pursuant to the provisions of Section 163 (3) of the Companies Act 1955.

H. G. CALLAM
Chairman

G. E. PEARCE
Managing Director

N. J. VAUTIER
Secretary



LETTERS

Development Bill phobias

The article by Colin James (October 17) on the National Development Bill, is a curious and confused litany of phobias, presumably prepared before the Bill was available for perusal.

The basic confusion in the article is exemplified by the statement that the Government "could if it chose put a pig sty in your backyard".

In the first instance, the Bill does not allow the Government to undertake any action whatever in regard to your property. It contains no power to take land, or to require an unwilling owner to apply for planning changes.

Even if you wanted it in your backyard, the Bill could not assist that ambition unless you could persuade the Government, with documentation made available to the public, that your pig sty is essential for the purposes of a major expansion of exports.

If the Planning Tribunal, after a public hearing involving the local authorities, all your neighbours, the Minister of Works, the Commissioner for the Environment, environmental organisations and others, recommended that the project should not proceed, you could be clinging to the possibility that the Governor-General sitting with the Cabinet might determine to pass a law declaring the pig sty to be a work of national importance.

In that event, your neighbours would have the opportunity to create a major political fracas, perhaps persuading the Opposition to state in its manifesto that the sty will be closed upon the Government being changed.

Under the present law, of course the situation is different. If pig sties are not a predominant use, you will need to follow the tribunal path (but without so many parties) in the secure knowledge that if the tribunal finds in your favour, there is nothing the neighbours can do.

The tribunal does not have to account to the public or Parliament, and need have no concern for public opinion. Unless it commits some technical breach of the law, your neighbours are rendered totally powerless, even if the entire elected Government believes them to be in the right.

Your correspondent states that "all recourse to the courts from the Minister's decision is prohibited". There is no provision in the Bill of the jurisdiction of the courts to the Minister — and delegated legislation is not reviewable by the courts in any event (except for certainty). Access to the courts is circumscribed only in regard to the recommendations of the tribunal, and this follows from the fact that the tribunal is merely an advisory body, having no "power of final decision" (Thames Jockey Club case 1974).

The article then goes on to discuss the need for debate on social and economic issues, while conceding that such aspects are not appropriate matters for the Planning Tribunal to consider.

It seems that Mr James wants two hurdles (environmental and planning procedures on the one hand, and social and economic debate on the other) before any work is undertaken which is essential to major expansion of exports, development of self-sufficiency in energy, etc. Other projects, less patently beneficial to the economy, will presumably be exempted from the debate and enabled to proceed much faster.

To top it off, your correspondent suggests that the existence of a National Development Act would somehow have prevented the detailed public debate on nuclear energy.

This is difficult to fathom. At no stage has either political party launched planning procedures for a nuclear power plant, or even come within cooee of establishing a site or design which could have been submitted to a local authority for a specified departure.

The idea was floated in a power plan during the term of the Labour Government which referred the question to a committee of experts for study and report. In turn, the National Government established a Royal Commission to undertake a wide-ranging inquiry somewhat akin to that which would be followed by the National Development Bill.

The Commission duly reported, and its findings were accepted. Nuclear power is now a non-issue, at least for the remainder of this century.

Mr James' whole thesis is rendered invalid by his failure to appreciate that the proposed Bill will provide more public participation, more political accountability, more access to information and more emphasis on environmental planning. All that will be cut is the mind-sapping tedium of endless red tape.

B E Brill
Parliamentary Undersecretary to the Minister of National Development

Welcome back Adam Smith

Recently Mr M McPhee, business news editor of the New Zealand Herald wrote an article which discussed the way import controls were intended to reduce imports to an even lower level.

True, by importing less this country will cut its trade deficit still further. But further import controls will result only in increasing unemployment, as happened when the same method was used in the great depression of the 1880s, because so much of New Zealand's, or indeed any country's, imports service re-exports.

Mr McPhee quoted the Prime Minister as saying that blueprint planning is out-dated as soon as it is completed. New Zealand's present plethora of import and export controls, subsidies and incentives are a good example of such planning.

In his budget speech Mr Muldoon announced measures to bring more of the country's external trade under his direct control. More, not less, is to be subject to Treasury regulation.

The fault of such short-term planning is that any alteration of detail is overtaken by events as soon as it is completed.

There is another major reason why New Zealand finds it almost impossible to balance its overseas trade and currency transactions.

The Government must immediately de-nationalise the marketing of New Zealand's foreign exchange. Because of the comparative tiny size of the New Zealand foreign currency pool, a completely free trade in the New Zealand dollar could allow manipulation by much larger countries or even banks. This possibility would be prevented by the restriction in free trade to an internal market open only to New Zealand resident or registered individuals or companies.

From this denationalisation of the currency trade, three main results would follow.

(1) There would be an automatic financial balance. For every buyer, a seller would be needed. A net foreign investment would be possible provided the investor understood that later withdrawal of the investment would require repurchase of the foreign funds in the same market place.

It would still be possible for individuals, companies or the Government to borrow foreign currency to change on this internal market. The major stabilisation of the usual surges in prices for agricultural products would be covered. The various stabilisation bodies would keep their retained funds in the form of foreign currency investments until they were required to balance a temporary fall in product market prices.

(2) As the public would immediately wish to purchase a great deal more from overseas than is now permitted, such buying pressure would cause the internal sale price of overseas currency to rise. The payments to the exporters provided they sell products in overseas currency, would rise in terms of the New Zealand dollar to a level which would encourage sufficient production to be allocated for export.

The recent devaluation shows the Government already aware of the importance of the comparative value of the New Zealand dollar. But the five percent devaluation is too small to be of more than temporary benefit.

(3) As the other export incentives would be unnecessary, the Government would collect large amounts in taxes which are presently forgiven. This collection would have a major effect in reducing the internal deficit and so reduce inflation.

Our present economic state is one of dislocation of market forces. While repair may be painful in the short term, health will be restored by the de-nationalisation of the foreign currency trade and New Zealand's future assured, as long as politicians resist the temptation to interfere and control. A partial repair has just been arbitrarily applied by the devaluation.

The present time is the most opportune to allow market forces to settle the economy back into joint.

M J Sampson,
Whangaparoa.